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Bond Market Range for 1927.
Curb Market.

BONDS—

Bond Financing.
Review of Unlisted Bonds.

DOMESTIC TRADE AND BUSINESS—

Business Review Covering the General Situation.

Important Money Changes.
Commodities, Including Price Fluctuations in 1927.
Record of Production in Leading Commodities.
Corporation and Government Financing in 1927.

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WITH THE EDITORS

An Index To Stock Movements

INVESTORS nowadays, if they expect to make a success of their investments, are practically compelled to become students of conditions under which the various industries operate. But since they are presumably employed in their essential business or professional careers, they have not the necessary time required to make exhaustive analyses.

The more intelligent investors realize the force of this dilemma: at the same time, taking an active interest in market developments they recognize the necessity of keeping as close a watch personally on their securities as is compatible with the time they have at their disposal. This brings them about to consider "short cuts" to the desired information. One of the best is the commodity price movement. By following the trend in the leading commodities which are either produced or sold by companies whose shares are active in the market, the investor is enabled to ascertain in a rough sort of way whether the industry is flourishing or the reverse.

A strong up-trend in sugar prices, for example, would be reflected in a rising market for sugar shares. Weakness in crude oil and refined products would have its effect on petroleum securities. Recently, steel shares have been stronger owing to the successive price advances on certain important steel products. The rise in copper prices last autumn was bountifully reflected in the metal shares.

The principle, of course, is very simple. Rising prices for "producer" commodities indicate invariably a widening margin of profit, hence a bettered prospect for earnings and, consequently, a basis for share price increase. Lower prices, naturally, would impair share values.

Such a barometer, therefore, would be very helpful in estimating the future price probabilities for shares of producer companies. Manufacturing companies, however, would be in a different position for they are consumers of raw or semi-finished commodities, turning them out in finished form.

A rise in crude rubber prices, for example, would be very beneficial to the producer of raw rubber but might be disadvantageous to the tire manufacturer unless he had had foresight sufficient to stock up in advance of the price increase. A manufacturer of silks might be injuriously affected, for the same reason, by a prolonged advance in raw silk. Corn products companies would be subject to disadvantage if corn prices rose, especially if sugar prices were low at the same time.

The investor, therefore, must be careful to make the distinction between producer and consumer companies. In a number of cases, a company may be both. Hence, the analysis becomes more complicated.

Nevertheless, commodity prices frequently furnish a good barometer and investors could do much worse than to follow the individual commodities closely.

In the Next Issue

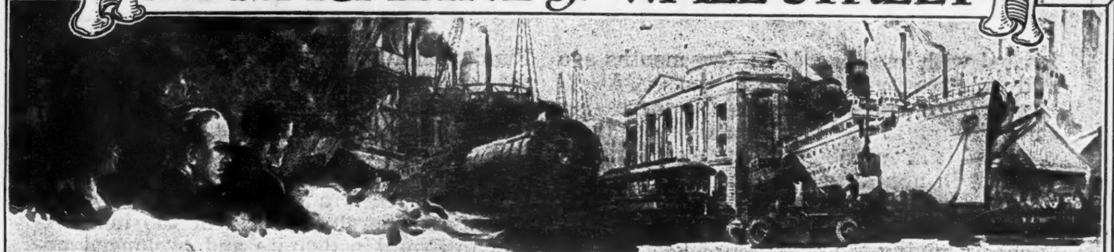
SPECIAL FEATURES

1. *Eight Deflated Stocks in An Attractive Position*
   —during 1927, due to temporary causes and not affecting the basic position of the companies, a number of securities were depressed to a point below their real value. Conditions now favor improvement in their position and consequently, they offer suitable opportunities for investment. In this feature, we have analyzed eight such issues.
2. *The Unemployment Situation and What to Do About It*
   —a thorough analysis of unemployment in this country, listing the industries most affected and giving the reasons for lack of employment. This article is an extremely valuable guide to present conditions and contains data not generally available to the public.
3. *Revised Bond Buyers and Preferred Stock Guides*
   —these two important departments of The Magazine are in process of being completely revised. Figures will be brought down to date and numerous changes made in the aggregate listings. The revisions are of especial importance at this time owing to the pronounced changes taking place in the security markets.

Other features of equal prominence and value will appear in this issue.

WATCH FOR MARCH 24th ISSUE

The MAGAZINE of WALL STREET



C. G. WYCKOFF
PUBLISHER

E. D. KING
MANAGING EDITOR

INVESTMENT & BUSINESS TREND

A New Flood of Foreign Financing—Money Rate Situation—Business Conditions Still Irregular—A Turn in Petroleum Industry?—The Market Prospect

FROM present indications, foreign financing in this country will probably represent an increase this year over the phenomenally large total of 1927. The larger banking houses undoubtedly welcome this prospect since it is likely that for a time at least domestic financing will fall off. Despite the higher money rates now in effect, the bond market has given evidence of comparative firmness, thus further encouraging the activities of investment houses interested in placing foreign issues on the market.

Principal among contemplated offerings of size are the 100 million dollar railway loan to Poland, 61 millions to Austria for rehabilitation purposes, a 60 million dollar rehabilitation loan to Rumania and others of equal importance. There are additional industrial offerings.

Owing to the rather pronounced rise in foreign bonds during the past year, American investors have come to look more favorably upon this type of security and, as a result, it is not likely that there will be any real difficulty in placing new foreign issues on the market. The monetary stabilization of European countries (indicated elsewhere in this issue by a comprehensive map) has proceeded on a large scale so that to-day there are few countries in Europe which have not either established or are about to establish their currencies on a stable basis.

There are other indications of growing financial and commercial health abroad as evidenced by the steady increase in British exports and the improved position of Scandinavian countries. Germany for the present seems to be encountering some difficulties, her progress in recent years having evidently been too rapid. But from the comparative viewpoint, there is little question that Europe has reached a much more solid point in her career than that represented by the post-war years.

Granting these premises, however, the attitude of the American investor in regard to foreign loans should be one tempered with restraint. The longer range outlook is still shrouded in doubt and will be until the international debt situation arising from the war and the German reparations problem are definitely settled.

Large investors and institutions, in a position to do so, will undoubtedly be led to make commitments in foreign securities, attracted by their more favorable yield as compared with domestic issues. Certain types of foreign issues may be desirable from the small investor's viewpoint but, if included among his investment holdings, they should not represent more than a small percentage of the total.

* * *

MONEY RATES

IF there was any question whether the new Federal Reserve policy of selling Government securities and raising the rediscount rate would be effective in firming up the money market, that doubt has been dissipated to a large extent by the action of the market itself. Call money seems well established now on the 4½% level con-

trasted with less than 4% a few months ago and time money rates are at the 4¼-4½% level. Commercial discounts are increasing slowly owing to the greater activity of business and it is probable that further demands will put in appearance during the next few weeks. In the meantime, there have been distinct signs of liquidation in securities, which is having the function of keeping the rise in money rates within bounds. Continued liquidation in stocks, probably, would ultimately have the effect of bringing the money situation back to normal but regardless of this possibility and owing to increasing commercial demands no decline in rates may be expected within the next few weeks.

* * *

BUSINESS CONDITIONS

JUDGED from the continued poor performance of railway car loadings, there has been as yet no important upturn in business conditions. Yet steel production is undoubtedly at a much higher point than several months ago. Automobile output is as yet rather disappointing in view of expectations but should rise in the near future. Distributive trade is sufficiently active to support the theory that buying power is still well sustained. On the other hand, the report of rather serious unemployment in New York State is disconcerting. Such important industries as coal and petroleum are still languishing but the textile trades are more active. Business thus presents a particularly irregular appearance. It is extremely doubtful that profits for the first quarter in most industries will measure up to the same quarter of last year but comparison, in this case, is with an exceptionally active period. Attention is now centered on possibilities for the second quarter which will probably represent an improvement over the present period. But, from the broader standpoint, it now seems that the high-water mark in American business was reached in 1926 and will not again be attained for some time.

* * *

PETROLEUM INDUSTRY

THERE have been recently signs of a turn in the oil industry though the production end is still unsatisfactory. Several price advances have been posted, probably due to the approaching open season for automobile traffic. Fundamentally, however, the situation has not changed materially. Petroleum company reports for 1927 were extremely poor in most cases and it is not likely that the first quarter of this year will reflect any important change. Prices are still considerably lower than a year ago and it would take a considerable stretch of the imagination to expect a definite and prolonged upswing in prices at this time. Nevertheless, there are a few isolated signs of change for the better which may develop within a few months into more definite improvement than has been visible in over a year. From the security viewpoint, the situation is quite irregular. The better grade Curb securities have enjoyed a substantial advance at the same time that New York Stock Exchange issues have either hovered around their low point or sunk to new low levels. Probably, the action of the Curb market is more barometric than the Exchange in this particular instance. At any rate, it appears that the sounder issues on the Exchange are fairly well liquidated.

* * *

MARKET PROSPECT

SINCE the break of several weeks ago, the market has evinced no general trend. Price movements though highly mixed are nevertheless confined to small fluctuations except in stocks of weak position which are still subject to liquidation. The market, of course, as pointed out in this column recently, has become very sensitive to money rate developments. This is indicated by the softness of stock prices when the rate is advanced and the comparative firmness in prices when the rate is lowered. Business developments are as yet inconclusive so far as indicating the probabilities for the balance of the year are concerned. The market, therefore, is in the position of backing and filling for the time being until a better idea of the business future can be gained.

The prevailing pessimism in professional circles in itself is a favorable factor for it discourages unwise public operations and tends to eliminate the weaker elements. It seems likely that the market in the near future will develop more strictly into a selective affair with liquidation continuing in issues that are overvalued or whose earnings or dividends are not secure and forward movements in the stronger companies whose outlook favors an increase in earnings. The investor's policy should continue to be one of caution and a fairly liquid state is still desirable.

Monday, March 5, 1928.

Do Presidential Years Bring Good Business?

Records Show There Have Been Only Four Business Depressions in Presidential Years

By Theodore M. Knappen

THE American business world is obsessed with the idea that Presidential electoral campaigns are surcharged with business disturbing potency. Already the chronic apprehensions of the Presidential year are being expressed regarding 1928. The usual hypothesis is that Presidential campaigns are innately inimical to sustained prosperity; and then the discussion proceeds to consider whether the nature of the 1928 contest is such as to aggravate or ameliorate the alleged tendency.

Deferring for the moment an examination of the soundness of the traditional belief that Presidential years are somehow disturbing, if not disastrous, to business, let us consider whether the present year's contest has factors that might reasonably be expected to be incompatible with prosperity.

No Great Cleavage in Issues In the first place there is now every reason to believe that the final as distinguished from the primary phase of the contest will be distinctly bilateral. There is now nothing to indicate that there will be a third-party movement of any importance. It will be a clear-cut issue between the historic Republican and Democratic parties. There will, therefore, be no cause for alarm lest the election should result in no choice by the electoral college, with the result finally to be determined by Congress—as was the case in 1924, before it was realized that the La Follette revolt would be ineffectual.

Moreover, there is not now the least sign that the issues between the two great parties will involve possibilities, according to the outcome of the election, of novel changes in national policy calculated to be of a nature that would inevitably depress or shock business. It is possible that there will be something like a well-defined cleavage between the great parties on the prohibition issue, but that is not charged with economic consequences that can be translated into upsetting apprehension during the campaign.

The standard politico-economic difference between the two parties is the question of tariff policy, and that will be emphasized in party platforms this year. But the business world does not seem to be agitated by the prospect. In the first place, a considerable section of business, especially on the finance side, is no longer so sure as it was for fifty years that an extremely high protective tariff is indispensable to prosperity. International trade and international finance have now become respectable factors in the fabric of prosperity. Prosperity is not so completely a domestic product as it was. On the other hand, the historic low-tariff party is no longer doctrinaire on the tariff, but disposed rather to make it a matter of expediency and individual schedules.

The rise of manufacturing industry in the South has resulted in the complete overthrow of the free trade and revenue-tariff groups, the more so the latter as the introduction of the federal income tax has relegated customs revenues to the background as a source of federal funds. No matter how destructive some campaign speeches on the tariff question may be, nobody seriously apprehends that even with control of both Congress and the Presidency would there be any radical general revision of the present tariff law.

There is no general division of the two parties on questions of finance. Both are for the Federal Reserve System and neither contemplates any fundamental change in that system. Both are now sound money parties. Corporation baiting is out of fashion. Neither party contemplates a program of restrictive legislation aimed at big business.

The one big economic subject now before Congress that may be injected into the Presidential campaign is

that of farm relief. But even if the country knew to a centainty that the next Congress would enact the extreme type of McNary-Haugenism it would not experience a single spasm of apprehension regarding the immediate future. Indeed, it might conclude that, whatever the ultimate event, such a measure might have a stimulating effect on business at first.

Political sympathies of most manufacturers prompt them to full-time operations during the campaign.

By Rep. John Q. Tilson, of Connecticut Republican Whip, U. S. House of Representatives.

EVERY presidential campaign is more or less disturbing to business, depending upon the economic issues involved. I believe, however, the 1928 campaign will be less of a disturbing factor than previous campaigns. There are no new fundamental economic issues being advocated. The Republican Party will continue the policy of economy in government, as well as strong advocacy of the protective tariff, but neither party, so far as I know, is sponsoring any radical legislation which should upset business or be a disturbing element to our economic structure. Both parties are for prosperity about whatever else they may disagree in being against.

No Ground For Fear

It is impossible to find any ground for fear, as matters now stand, that the outcome of the presidential election may have results inimical to business that would cast their shadows before them.

Neither is there anything in the nature of the impending intra-party contests for the presidential nomination to arouse apprehension. No man is mentioned for the nomination of either party whom the country would fear to see in the White House for business reasons related to his personal character or bias, and neither party is threatened with a struggle within itself over some political nostrum or economic cure-all. It is significant that no "dangerous" man (from the conservative business standpoint), excepting possibly (and even then only narrowly), Andrew Jackson, has ever been elected to the presidency.

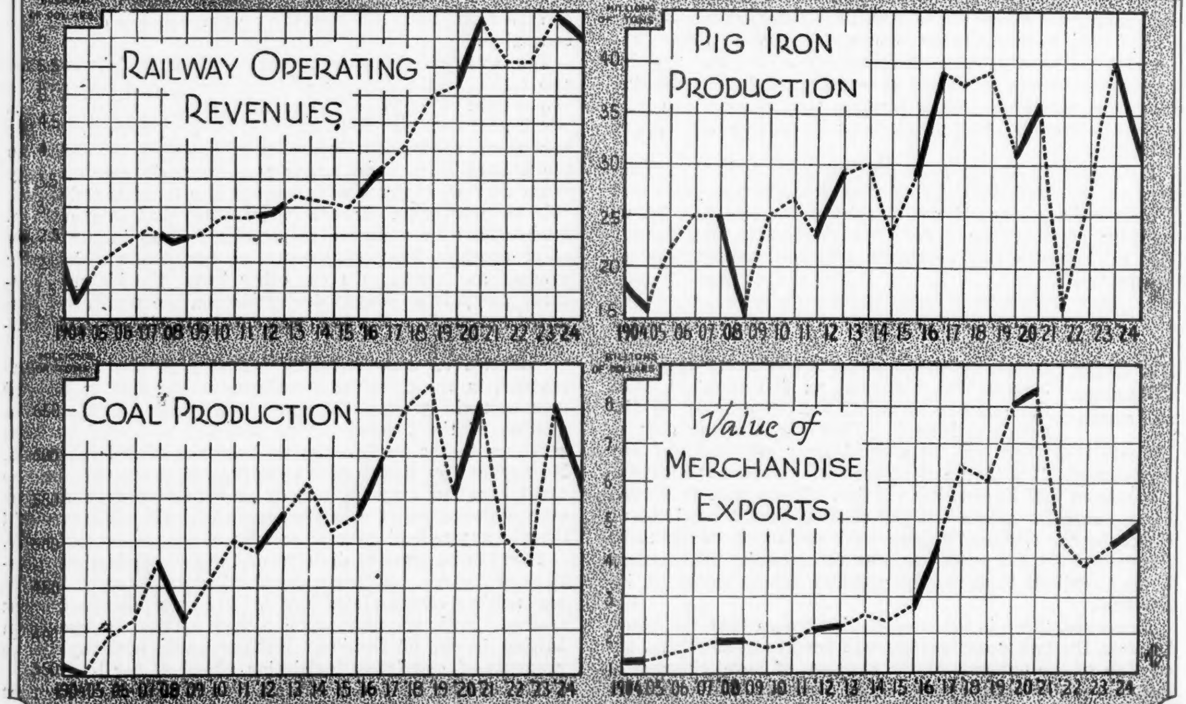
There remains the question of whether the ordinary activities of a presidential campaign are sufficient to distract energy and interest from business to politics to a degree that would tend to slow up business. It is a long time since politics, even in presidential years, has been the paramount concern of the American people. Business is always first with them. The actual work of politics is not done by men who play a large part in the business world, and the inexorable demands of economic life make it impossible for the rank and file to divert time and attention from business to politics.

Indeed, it is doubtful whether even in the early days of the Republic, when we were essentially a political people, we permitted politics to come before business except when the issues were such that business became politics. A review of business during presidential years may prove startling to those who still cling to the tradition—always of doubtful authority—that political activity and business prosperity are naturally incompatible.

The National Bureau of Economics has recently looked into the subject and finds that during fifteen of the 34 presidential years business was prosperous; that ten were years of depression; that five began prosperously and ended with depression; and that only four can be classed as years of pronounced business depression.

Considering only the last thirty-two years, the Bureau classes 1896 as a bad business year. In 1900 the initial trend was upward but was checked in March by the collapse of the iron and steel boom, which had nothing to do with politics; 1904 was not a brilliant business year, but the presidential campaign was a listless one and the conclusion foregone: 1908 was a bad year, but we do not need to search farther than the panic of 1907 to know why; 1912 began prosperously but the upward trend was halted by the suspension of the anthracite coal industry in April and May; 1916 was brimful of war industry prosperity; 1920 began happily but ended in the first stages of the great

HOW BUSINESS HAS FARED DURING



By Rep. Wm. A. Oldfield, of Arkansas

Democratic Whip, U. S. House of Representatives

THE fight in the 1928 campaign may become bitter politically, but I see nothing ahead that would tend to cause any economic unrest or business disturbance. Before the Federal Reserve System, presidential campaign years were accompanied by a business depression of more or less severity. In recent years, however, the flexibility of our credit system has served well in weathering the storms of political campaigns. The Democratic Party, of course, will continue to advocate a competitive tariff, while the Republicans will press their advocacy of a protective tariff. Aside from this traditional point of cleavage, I see no fundamental economic issues on either side that should cause business the slightest apprehension.

depression that reached its depths in 1921, but this depression was foredoomed and merely coincided with a presidential year; 1924, on the other hand, began inauspiciously and got better as the electoral campaign got hotter.

Going back to the beginning, one student of the subject (Dudley F. Fowler), dealing with it in an address in 1924, declared that there had been only four presidential years since 1800 that were marked by depressions, meaning depressions that began during the year. These were named as 1808, 1860, 1884 and 1920. The depression of 1808, however, may be classed as related to international policy (the U. S. was then involved in the incidence of the Napoleonic wars) rather than to partisan politics. Referring to the panic of 1860, Mr. Fowler said: "Here was a true instance of a panic caused by politics, but it must be remembered that the South was seceding from the Union and the very life of the nation was in peril." The depressions of 1884 and 1920 are not attributable to politics, at least not in the direct senses that we here have in mind.

An examination of criteria of prosperity in past presidential years supports the general statements hitherto made.

The railways have moved more ton-mile revenue freight in every presidential year as far back as 1904 than they did in the immediately preceding year, with the exceptions of 1908 and 1924, and the explanation of these exceptions is in nowise related to politics. In the presidential years of 1912, 1916 and 1920 the railways increased their property investment accounts, more than they did in the just preceding year, showing that politics did not alarm them. In 1924 there was a decrease of $182,000,000, but that was from the imposing figure of $993,000,000 in 1923.

Pig iron production has increased in every presidential year for which the figures are at hand, viz., 1904 to 1924, both inclusive, with the exception of 1924.

Available statistics show that coal production has gained in every presidential year as far back as 1900, excepting 1924.

An examination of the statistics since 1884 show that domestic exports increased in every presidential year but 1884, 1888 and 1908. Imports decreased in 1884, 1892, 1904 and 1908 but increased in the other presidential years of the period.

During the same period the volume of money in circulation grew in every presidential year except 1896. Excepting 1908, the total of individual deposits in banks moved upward.

The total of bank clearings fell off in 1908, but gained in 1912, 1916, 1920 and 1924. Going back to 1884 with New York City bank clearings, the only presidential years that witnessed a decline were 1884, 1900, 1904 and 1908.

Since 1880 the volume of life insurance written has been larger each presidential year than the year before, except in 1896.

Capital issues have gained in every presidential year for which figures have been examined—that is, beginning with 1908; and the authorized capitalization of new corporations has regularly gained except in 1924.

In the last five presidential years union wages per hour have been higher than in the last preceding year. Commodity prices have been higher in the last four presidential years.

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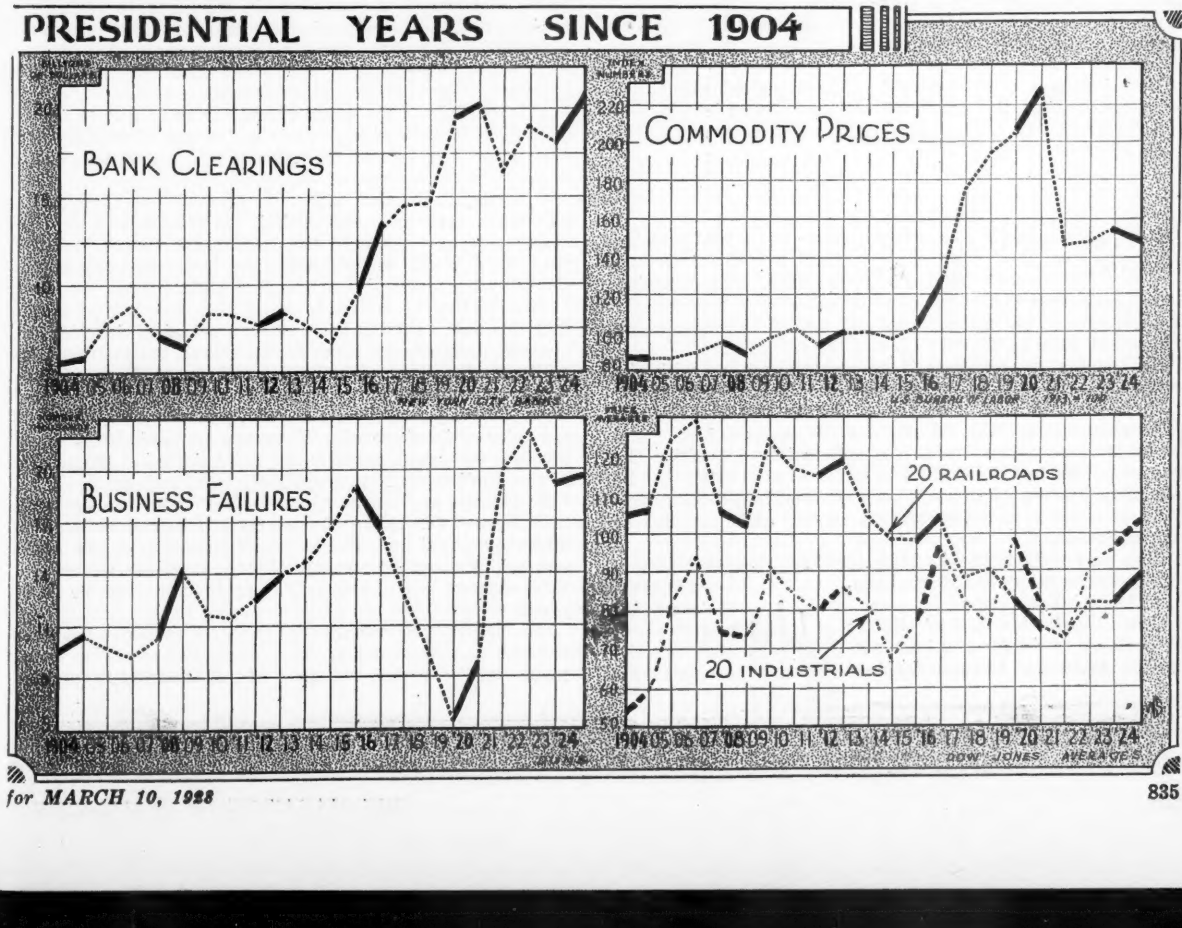
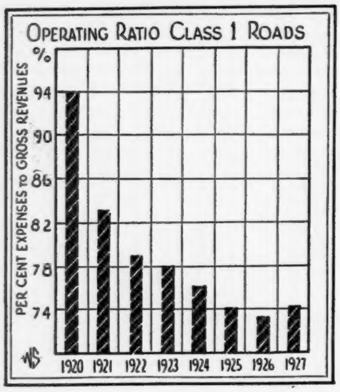
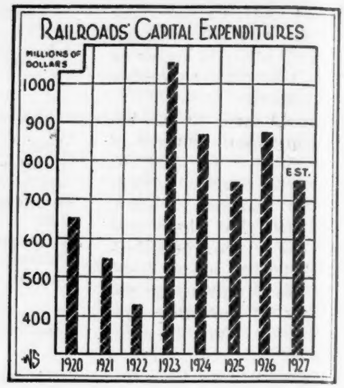


Are Railroads Suffering From Too Much Regulation?





By Pierce H. Fulton

WHAT'S the matter with the railroads? Why are they not making a higher rate of return on their investment? Why are the shares not more active and selling at higher prices? These and kindred questions will not down in the minds of thousands of potential speculators and hundreds of thousands of actual and prospective investors in railroad shares.

These are questions that have been difficult, even well nigh impossible, for experienced Wall Street men, not to speak of so-called outside investors and speculators, to comprehend. What can be the matter? Is there a remedy? These and other questions will be answered in this article, not only by the writer, but also by three recognized authorities on the big railroad problems of the country.

Whenever a stock or a group of stocks acts contrary to the general trend of the market, and of what would seem reasonable for them to do, most speculators, and mere observers, are disposed to think that "there is something the matter," that something is being hidden, about which they have not been able to learn—something that so-called "insiders" are keeping to themselves—at the expense of the great body of stockholders.

This has been their feeling to a great extent and for a long time, about the action of railroad stocks, except for brief periods, when they have performed in a seemingly normal way.

Physical Properties Sound

Before going into the actual position of, and outlook for the railroads and their securities, and outlining the chief causes of their relative inaction for a considerable period, several statements may and should be made, which cannot be successfully denied, or even controverted.

In the first place, there is nothing the matter with the railroads—the physical properties—insofar as their condition is the result of management in the last eight years. This same assertion could not be made with confidence and accuracy before the World War. Certainly not within the period of Federal Control. The latter assertion will not be stressed, however, because of the abnormal conditions incident to the war and Government control and operation of the railroads.

The properties today are in better shape than ever before. This statement applies to road bed, equipment and facilities generally. That the railroads of the United States might be in a position to render the best possible service to the public and to make the best possible returns for the shareholders, and encouraged by the terms of the Transportation Act as a whole, that was passed by Congress that year, the executives, soon after the ending of Government control in 1920, decided to spend large sums for additions, betterments and improvements. The official records show that for the eight years from 1920 to 1927, both inclusive, there was expended for these purposes a grand total of about six billion dollars, $5,956,737,000, to be exact. The figures for the last three months of 1927 are partly estimated. This vast improvement program has been the most intensively carried on since 1923. The outlays by years for that period were as follows:

For 1923, $1,059,149,000; 1924, $874,743,000; 1925, $748,191,000; 1926, $885,086,000, and for 1927 (partly estimated), $750,000,000.

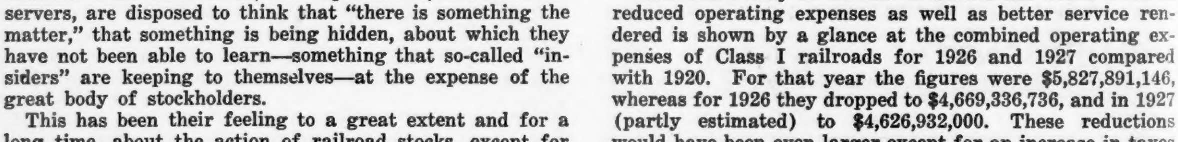
That this outlay of billions of dollars has borne fruit in reduced operating expenses as well as better service rendered is shown by a glance at the combined operating expenses of Class I railroads for 1926 and 1927 compared with 1920. For that year the figures were $5,827,891,146, whereas for 1926 they dropped to $4,669,336,736, and in 1927 (partly estimated) to $4,626,932,000. These reductions would have been even larger except for an increase in taxes from 1920 to 1927 of $7,577,000 and wages of $735,801,000. The latter figures are the more significant because of a decrease in the number of employes of 243,000.

It is easy to see that with such expenditures the physical properties are not going behind. It is equally true that, whatever may have been the fact to the contrary, before the World War, the railroads have been operated aggressively and economically in the past eight years.

Financially, the railroads never have been stronger than they are now. During the post-war period of deflation, the greatest systems, the New York Central, for instance, had millions of dollars of unpaid vouchers, millions of bank loans and correspondingly small amounts of cash on hand. Now, not only are vouchers paid promptly, but discounts are taken advantage of. There are no bank loans except possibly for small amounts in isolated cases. Even most of the small roads have comfortable cash balances.

Both gross and net earnings for 1927 were not up to the peak figures for 1926. It was too much to have expected that they would be. W. B. Storey, president of the Atchison, told the writer recently that he does not expect that 1926 figures will be reached again for two or three years.

The official preliminary statement of consolidated gross and net earnings for last year shows that the Class I railroads made gross returns of $6,206,986,000 against



$6,465,342,000 for 1926, a decrease of $258,356,000, and net railway operating income of $1,085,485,000, a decrease of $147,563,000. The net for 1927 was only 4.4%, against 5.13% for 1926, on the combined investment in property by these carriers, whereas, under the Transportation Act they are permitted to earn 5¾%.

The Dual Viewpoint Why, with the expenditure of six billion dollars in the last eight years alone for additions and betterments to the properties and with economies in effect to which reference has been made, could not the railroads earn more than 4.4% on their aggregate investment last year?

The railroads say that it was chiefly because freight rates, particularly in the northwest, need a comprehensive readjusting upward; because of big and steady increases in wages and taxes which have eaten into profits.

The Interstate Commerce Commission says that the railroads could make the 5¾% to which they are entitled under the Transportation Act without higher rates, if they practiced still greater economies and went generally into consolidation. Probably it would be inclined to point to Pennsylvania's record net income for 1927, notwithstanding a slump of $45,000,000 in gross. Operating expenses were cut almost $40,000,000.

The saving to be effected through general railroad consolidation is still as much of a disputed question between the railroads and the I. C. C. as at any time since that undertaking was first mentioned. Why there have not been more consolidations was answered in an article on that subject in a previous issue of this magazine. In a word, it is because the railway executives and the Commission have failed to get together on a common sense and ordinary business basis.

It is true that no dividends were actually endangered because of the decrease in gross and net earnings in 1927. There were no reductions, but on the contrary some initial payments made, such as the 5% dividend on Rock Island common.

> THE sluggishness of railway shares after their more or less persistent decline of the past few months has caused investors to query the fundamental soundness of this group of securities. Are railway stocks again to become unpopular vehicles of investment as they were directly after the war? Is there anything essentially wrong with the picture? This article discusses in full what is perhaps the most vital feature of the situation and it behooves each investor to become thoroughly familiar with the facts.

Railroad Dividends Most railway executives doubt that earnings for 1928 will be much, if any, larger than for 1927. If they are not, will it be possible and safe to maintain railroad dividends at present rates?

The answer must be in the negative, in the case of companies that have been over-liberal in the payment of dividends on the common shares. If such dividends were to be maintained at present rates, with materially reduced earnings, the margin between the dividends and the amount earned would be too small to keep the credit of the company at the level at which it should be for safety and for the raising of new money through the sale of securities, on terms satisfactory to the company. Of course, reduced aggregate earnings would mean a correspondingly smaller return on the total investment, and the effect upon credit would be the same as in the case of the stock alone.

The financial position of a fair sized number of the larger railroads and systems is such, and their common shares are selling at such prices as to make possible the raising of new capital through the sale of those shares rather than to get all of the money through the sale of bonds or short term notes, as was necessary for many years until recently. Several such systems have sold stock on terms favorable to themselves as well as to the shareholders. The number able to raise money in this way is still uncomfortably small in comparison with the total number of railroads whose shares are listed on the New York Stock Exchange.

Why, then, it is asked on all sides, do not more people buy railroad stocks, and why have the latter declined in the past year? Various reasons may be and are given. One is the rapidly growing belief that the I. C. C. has greatly exceeded the powers actually given, or even intended or inferred in the Interstate Commerce Act originally passed by Congress February 4, 1887, and amended at frequent intervals in the little more than 41 years since. It may be added in passing, by way of supplementary information, that the principal amendments have been the Hepburn Act of 1906, the Mann-Elkins Act of 1910, and the last, the Transportation Act of 1920. There have been numerous smaller amendments as well.

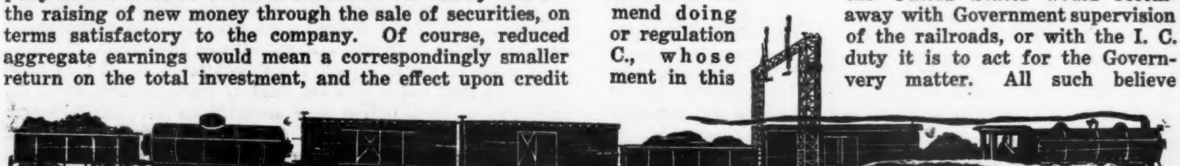
The belief that the Commission is constantly overstepping its authority is most often expressed in speculative and investment stock circles. It is very generally entertained by prominent railway executives. This belief has resulted in heated debates on the floor of the U. S. Senate recently.

Frequently one hears the extreme allegation that the I. C. C. is chiefly a group of political and uninformed obstructionists, obsessed with a realization of its great power; that its members are sworn enemies of the railroads and have little or no intention of co-operating with the executives for the best interests of the properties, their securities and the owners thereof.

It may be stated emphatically that this is not the feeling and belief of the executives who have had most to do with one or more members of the Commission individually, or with the whole eleven of them, as a body, or with the heads of the most important bureaus. Howard Elliott, Chairman of the Northern Pacific, E. N. Brown, Chairman of the Executive Committee of the Rock Island, and Hale Holden, President of the Burlington, would not make any such claim.

On the contrary, these men and the broadest minded executives as a whole who are best informed regarding the powers and workings of the Commission, believe that its members are sincere in what they attempt to do, even when their acts may seem severe and unjust to the railroads.

No broad-minded railway executive of importance or individual in any position who is familiar with the railroad situation in the United States would recommend doing away with Government supervision or regulation of the railroads, or with the I. C. C., whose duty it is to act for the Government in this very matter. All such believe



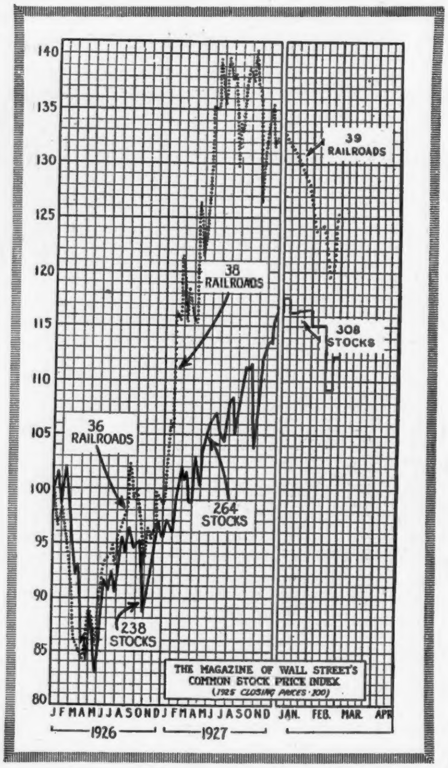
heartily that Government supervision and regulation, not only have come to stay, but are best for the railroads, their securities and the public.

Executives of the official rank and type mentioned are disposed to feel that the Commission as a whole, or at least some of its members who have been characterized as radical, are proceeding under a partial misconception or misinterpretation of the powers given them by the original Interstate Commerce Act, and as amended in the ways already indicated.

This gives rise to the highly important question, "Is the I. C. C. overstepping its powers, or has the Congress given it too great powers?"

If anyone doubts that the Commission is restricted as to power let him do no more than glance through an official copy of the Act as most recently amended. I wonder how many owners of railroad securities or critics of the Commission have ever read that document even in a cursory way.

Although the writer has been dealing with railroad matters for considerably more than a quarter of a century, he confesses that he never had read it carefully until he began preparation for the writing of this article. I am sure that even a superficial reading will convey the impression generally, as it did to me, that there is little or nothing that the Commission has not the power to do in the supervision and regulation of the railroads.



Does it have the power under the Act to enter the managerial realm, as it unquestionably has that of supervision and regulation? Even if it has such power, is it wise to exercise it? These are highly interesting and vital questions for owners of railroad securities. They will be answered in this article by authorities on these subjects.

Evidently some members of the Commission at least feel that they have this power. Railway executives do not believe that they do. Even if the Act could be construed as giving this power, most careful students of the situation believe that it would be wiser and better for all concerned if the Commission kept out of the managerial and left the duties of that field entirely to the men elected and appointed by the railroads for that task.

Be that as it may, it will be more practical and convincing in this attempt to answer the central question of this article, "Are the Railroads Suffering from Too Much Regulation?" to have the specific opinions of experts, concisely and forcibly expressed over their own names, rather than those of a general character, for which no one in particular is sponsor.

An Expert's Viewpoint

Take Fred W. Sargent, a successful and prominent lawyer of the Central West, before he was called to the Presidency of the Chicago & North Western Railway, when that company was sadly in need of a man of his type, ability and training. Listen to what he has to say as to whether the I. C. C. has too great powers and too numerous and varied duties as well.

"The power of the Federal Government to regulate commerce has been fully established. The question as to whether that power is to be wisely exercised yet remains to be determined."

It may be stated before going further that Mr. Sargent believes that both the powers and duties of the I. C. C. have been too greatly multiplied by Congress. In his judgment that body is more to blame than the I. C. C. for present over-supervision and regulation. This is what he says:

"Government Ownership"

"The duties imposed by Congress on the I. C. C. extend from the administration of the Ash Pan Act to the regulation of all rates, the supervision of all financing and the guardianship of all management.

"In fact, the Commission has been made, in practical effect, at least, a quasi-board of directors for all the railroads of the United States.

"The present system is tantamount to Government ownership without Government responsibilities.

"Regulation is exceedingly burdensome and expensive to the Government and the carriers. It in far from satisfactory to either the shippers or the carriers.

"America's railroads could never be duplicated under our present plan of regulation. A system of regulation that dips into the details of management, that discounts the fruits of efficiency by reducing rates and increasing taxes, and that dictates the details of operation to an extent undreamed of when regulation began, would even now tend to destroy the spirit of progress, were it not that railway managements have not lost faith in the ultimate fairness of the American public.

"Recently the Interstate Commerce Commission was hearing a case involving the dimensions of curtains on engine cabs, and at the same time was struggling—as it still is—with problems involving the consolidation of our largest railway systems.

"In the second year of the existence of the I. C. C. its total expenditures were $97,867. In 1926 the expenditures amounted to $5,936,722.

"In the year ending November 1, 1927, the Commission had 1,600 hearings involving 291,297 pages of testimony and still has 2,800 cases pending. In the last seven years the number of pages and words used by the Commission in its decisions have been 540% greater than the average of the preceding 33 years, and for the year 1927 the average was 840% greater.

"In 1927 the opinions rendered will occupy 12,000 pages and contain 5,820,000 words. In addition to all this, the Commission handles about 10,000 informal cases per year. And this is only an index of the drain upon the treasuries of the railroads and the time of the officers in preparing for and participating in these hearings."

The Remedy

Unsatisfactory as this situation is, Mr. Sargent does not believe that it is hopeless or without remedy in time. Here are his suggestions as to the remedy, which he believes is not difficult.

"First, I would make the tenure of office of each Commissioner for life or during good behavior and pay salaries commensurate with the responsibilities involved.

"Second, I would relieve the Commission of all that class of duties that enter into the field of management, such, for instance, as jurisdiction over security issues, abandonments and extensions of lines, and general supervision of honest, efficient and economical management.

"Third, I would relieve it of all duties of a technical

nature pertaining to safety of operation, such as the administration of the Boiler Inspection Act, the Ash Pan Act, Safety Appliance Acts, the Train Control Act and other allied measures.

"In short, I would confine its powers and duties to the general functions of the original law under which it was created, to wit, the maintenance of reasonable and just transportation rates, classifications and practices."

Discussing the situation in a broader way, Mr. Sargent makes these highly suggestive statements:

"Time will not permit a complete review of the legislative and administrative policies which are holding up the costs of American railroad maintenance and operation. It is clear, however, from what has already been stated, that there is an opportunity to help the general prosperity of the country through a policy of friendly, rather than restrictive and repressive regulation of American railroads, and that there is an immediate necessity for the adoption of a constructive national policy that will keep the Government out of the business management of railroads, and restrict its functions to those contemplated in the beginning, to wit, the regulation of rates, classification and practices rather than the general supervision of details of operation, maintenance and management.

"Railroads must be permitted to earn something more than merely enough to pay the interest on their bonds and a fair return to their stockholders, provided, of course, that just and reasonable rates, measured by what the traffic will reasonably bear, will produce such a result. They must be permitted to earn a surplus in the good years to tide them over periods of depression, and they ought to be permitted to earn a sufficient surplus every year to take care of those capital expenditures of a public character which in and of themselves add nothing to earning capacity."

Quite likely someone will say, "He [Mr. Sargent] is prejudiced. He can see and discuss this subject only from the point of view of the railroads."

Let us then seek another authority from an altogether different source—none other than a prominent member of the I. C. C. itself.

I. C. C. Represented

Thomas F. Woodlock, for many years a recognized student of and authority on railroad affairs and management, feels as keenly as Mr. Sargent that the I. C. C. should confine itself to supervisory and regulatory duties, and keep away from the managerial. His ideas on this subject were expressed with characteristic clearness and force in his first formal opinion after becoming a member of the I. C. C., in an opinion dated September 12, 1925. It was rendered on an application on the Chicago, Milwaukee & St. Paul Railway (old company), to issue equipment trust certificates. Mr. Woodlock says:

"It does not appear that there is anything in the letter of the law (and certainly there is nothing in the spirit) which requires us to invade the domain of management with the object of accomplishing a 'reform,' as such, of banking methods. We are concerned, under section 20a, mainly to see that railroad capital shall be economically raised and that it shall not be wasted after it is raised. We have no right morally [and I think we have no right legally] to interfere with management on any other grounds or for any other purposes, so far as security issues are concerned."

Referring to several railroads that, while not having broken away from their regular bankers, had asked for bids on securities that they had to sell, Mr. Woodlock says:

"Carriers themselves have taken the initiative in the experiment, and it is quite certain that if the experiment shall, as seems likely, prove successful, the method will come into common use. It is infinitely better that results come this way than from the exercise of the powers possessed—if it does possess them—by this Commission."

In Railroad Management

Taking up the question of the I. C. C. invading the domain of purely railroad management, Mr. Woodlock expressed himself even more forcibly in opposition to such a practice in an opinion rendered April 11, 1927, on an investigation of "Ex-Lake Iron Ore Rates from Chicago to Granite City, Ill." He said in part:

"Furthermore, a most important consideration always to be kept in mind is the freedom—which the law protects, both in letter and spirit—of carrier management, within that domain where it should rightly rule. 'We desire,' the report says, 'not to interfere with the initiative of railroad management in the reduction of rates unless compelling reasons affecting the public interest so require.' For this

(*Please turn to page* 903)

Sharp Contrast in Railroad Earnings

Eastern Group

Road	Earnings per Share Common 1926	1927
Baltimore & Ohio	$12.15 c	$9.42 c
Bangor & Aroostook	8.69	8.50 p
Boston & Maine	8.20	nil
Central of N. J.	15.92	19.94
Chesapeake & Ohio	24.75	24.19
Chicago & Eastern Ill.	nil	nil
Delaware & Hudson	18.28	5.95
Delaware Lackawanna	10.61	9.30
Erie	6.72	0.63
Lehigh Valley	8.27	3.51
New York Central	14.52	15.28
N. Y., Chicago & St. Louis	20.12	15.40
New Haven	5.25	6.08
N. Y., Ontario & West	1.33	nil
Norfolk & West	25.76	21.25 p
Pennsylvania	6.78	6.82
Pere Marquette	14.48	13.31
Reading	11.24	7.64
Wabash	6.95	1.80 p
Western Maryland	3.27	3.32
Wheeling & Lake Erie	6.11	2.80

Southern Group

Road	Earnings per Share Common 1926	1927
Atlantic Coast Line	24.07	11.94
Central of Georgia	18.38	11.08
Gulf, Mobile & Northern	5.77	3.55

Southern Group—(Cont.)

Road	Earnings per Share Common 1926	1927
Illinois Central	$11.78 c	$8.17 c
Louisville & Nashville	16.60	13.90
Seaboard Airline	4.71	nil
Southern Railway	17.16	14.40

Western Group

Road	Earnings per Share Common 1926	1927
Atchison, Top. & S. F.	23.42	18.73
Chic., Burlington & Q.	13.98	12.55
Chic., Great Western	nil	nil
Chic., Milwaukee & St. P.	nil	nil
Chicago & North Western	6.92	5.75
Chic., Rock Island & P.	10.67	12.08
Colorado Southern	13.45	9.20 p
Denver & Rio Grande	2.94	0.70 p
Great Northern	10.42 r	9.23 r
Kansas City, Southern	4.83	4.50 p
Mo.-Kansas-Texas	5.33	3.47
Missouri Pacific	6.09	0.98
Northern Pacific	8.47	7.47
St. Louis, San Fran.	14.12	10.00 p
St. Louis Southwestern	8.63	5.21
Southern Pacific	11.29	9.10 p
Texas & Pacific	7.08	7.70 p
Union Pacific	16.65	15.60 p
Western Pacific	1.73	1.43

c Basis, present capital. p Preliminary figure based on 12 months. r Preferred stock.

A New Angle on Consolidations Which Shows the Important Role That Is Played by Investment Firms

Wall Street—The Corporate Incubator of the Nation

By RUSSELL TAYTE

BECAUSE so many of our corporations, large and small, are "hatched" in Wall Street, the financial community is sometimes referred to as the "corporate incubator" of the nation. And behind this name there is an interesting story—the real story of consolidations as it were—which should be of more than ordinary interest to investors who have become completely baffled in their study of mergers from the standpoint of what the text books call the "economic background." In truth, there is little economic justification for some of the mergers that grow out of negotiations in Wall Street's banking houses—but that is getting a little ahead of our story!

The Background During the past few years, the stage of American business has been well dressed for the merger waves that swept the country, hardly failing to touch a single industry. Over-capacity in many lines of industry, lowering profit margins, inefficient distribution is the ideal situation for merger discussions. Add to this, a ravenous appetite for new securities of every kind and variety, a strong upward surge of stock prices and a highly competitive community of brokerage firms and a flood of consolidations is bound to follow as the day, the night. Leaving the "economic background" for the text books of the college professors, it is the latter influence as observed by the writer over a long period of years that we are concerned with here.

Perhaps the reader has noted the unusual phenomenon of merger epidemics that break out in an industry every now and again. Perhaps he has often wondered whether it was purely a coincidence that when one steel company merger is announced in one part of the country, shortly after announcements of another or perhaps several other steel company mergers will follow. Or, that a brand new industry such as the electrical refrigeration industry will make its bow to the investors of the nation through a consolidation of several small concerns. Shares are offered to the public. Then in the following month there will be another offering of securities of an electrical refrigeration company, a third offering will appear soon after and perhaps several more. Why this sudden burst of merger interest? Is it pure coincidence?

These merger epidemics are not mere accidents. They are more likely to be the direct result of Wall Street stepping out and interesting itself in consolidating various units in this industry in order to supply a demand for securities by their clients. There were many small industries in which no public investment interest existed ten or twenty years ago, largely because the industry was composed of numerous small concerns, not one of which was large enough or strong enough to attract outside investment funds. Out of this group of small competitive concerns, several strong concerns grew up through merger, consolidation or acquisition. The securities of these new holding companies, because of their size and the diversity of their sources of income, are now suitable for public investment.

Behind the Scenes Let us go behind the scenes in some of these negotiations and see the procedure that is gone through before the brief statements are made in the newspapers that "Corporation A has merged with Corporation B, forming a new concern to be known as the A-B Corporation."

Most underwriting firms have a special attachment of some sort or another to a certain industry. Smith, Jones & Co., for example, through previous dealings in chain store securities, have a number of contacts in this industry and perhaps have made it a point to be well acquainted with the officials of the leading chain store concerns. Their statisticians are familiar with all the peculiarities of the chain store business; their salesmen are likewise well informed on the good points of chain store securities, and their customers are familiar with the virtues of these issues.

Now suppose, again, that the president of Corporation X is known to be open to a merger deal. What happens? Smith, Jones & Co. send out their representatives to talk business with various officials in chain store companies. The advantages of a merger with Corporation X are eloquently outlined, with the thought thrown in on the side that a number of merger discussions are going on at the moment and it would be a "good thing to come into this deal on the ground floor." Perhaps ultimately a number of options can be obtained on the controlling stock in several companies which would make up a logical merger.

Then the various officials are gotten together and the bickering starts. One man insists on this; another demands that, some talk prices for their interest that are considered by the negotiators to be exorbitant. The net result is that by the time the deal is consummated half of the interested parties have gone home indignant. But the concerns which do not fall in with the original merger are afraid of the powerful new concern which is to be organized and it is an easy matter for the representative of another underwriting firm to work out a second alignment.

If there are many units concerned in the original merger, it is not at all unlikely that a series of consolidations will be announced within a short time. This practice accounts for the so-called "merger epidemics" that suddenly spring to life in some particular industry. And in the meantime, Wall Street is looking around for other financial alignments that might be worked out in some other line of business.

Corporation officials have told the writer that, without solicitation or indeed without any expressed interest whatever, they have been approached by representatives of investment firms a number of times during the past few years and asked if they would consider a merger with another group of companies or if "they wanted to sell securities of their company to the public." Some of the propositions outlined to these officials seemed mighty tempting from the personal viewpoint of this writer and an equal number seemed to offer no sound basis whatever for a logical merger, except, of course, a rather liberal offer of terms. Undoubtedly many of the readers of this publication who occupy administrative offices in the large corporations of the country have had similar experiences.

The Street's Facilities

Wall Street has established facilities for handling a large volume of security distribution. Like any other business, the financial community functions most efficiently when it is doing a large business. Investment funds are ample, but there has been little commercial expansion and business does not need a large amount of new loans for its ordinary corporate activities. With business growth in many lines virtually at a standstill as far as its financing requirements are concerned, the pressure of these surplus investment funds must be accommodated somehow. It becomes, consequently, quite a problem for the large underwriting syndicates to obtain a sufficient volume of new securities to satisfy their dealers and their dealers' customers.

It becomes necessary, in a sense, to make new financing "to order." Virtually all of the large underwriting concerns have a staff of new security negotiators who are constantly on the watch for new financing that they might originate for their firm. In contrast with a situation five or six years ago when the borrower sought the lender, there has been a gradual shifting in this position and the lender now seeks the borrower. When business has attained a stable level and requires no funds for further expansion, it does not follow for the above mentioned reason that all financing for this line of business will automatically cease. It is quite likely that by virtue of the fact that the industry has finally attained its full stature and reached that stage of development that means stabilized operations and earnings, some of the capitalists which nourished this industry to its full growth now have little use for it any longer.

This type of business adventurer who is not content with stabilized profits and moves on to newer and younger industries once that stage is attained is quite well known in the American industrial community. And he plays also a prominent part in mergers. For the liquidation of his interest in the corporation which he has successfully managed during the years of its "growing pains" is more than likely to mean a merger in the industry. In fact, a number of consolidations may be precipitated through his action.

Made to Order

For this is what happens! The concern in which the "former management" is willing to liquidate its interest, is perhaps not self-sufficient industrially or financially to warrant a public offering of securities to the public. The acquisition of one or more other concerns in this line of business, however, would present an ideal structure for both the necessary new financing and the future trade position of the group of companies concerned. So a holding company is organized which bears the name of one or two of its constituent concerns. The old management is represented on the directorate of the new concern, sometimes actually and sometimes in name only. Options are secured on a sufficient percentage of the shares of the subsidiary companies to assure the success of the plan. The unwieldy securities that may be outstanding against some of the operating properties are retired by the new financing and the capital structure worked out for the combine is based on the aggregate earning power and property values of the group of companies that are taken into the merger. The new financing, in other words, is made to order for the investing public.

In order to clear up any apprehensions, it is the writer's intention to emphasize that this "made to order" procedure is essentially an effective safeguard for the investors who acquire the new securities offered to the public. In a great many instances, the union of small concerns in an industry eliminates unwise competition and results in many economies in management and operation that in

(*Please turn to page* 899)

Recent Corporate Mergers

COMPANIES	TERMS OF MERGER
Youngstown Sheet & Tube .... and Inland Steel Company.	Tentative plans call for exchange one share of new co. for one share of Inland Steel and two new shares for one share of Youngstown stock, plus small cash dividends on old stock prior to merger.
Certain-Teed Products. and Beaver Board Co.'s ..	Certain-Teed acquires assets of Beaver Board Companies agreeing to assume all obligations of latter organization and in addition pay a sum equal to $50 a share on Pfd. stock and $5 a share on Common.
United Drug Co. .... and Sterling Products	New company to be known as Drug Products, Inc., and United Drug common holders will receive two and a half new shares and Sterling Prod. will receive one and three-quarters for one old share respectively.
Abitibi Power & Paper and Spanish River Pulp & Paper	Abitibi shareholders received two shares of new stock for one share of old stock and Spanish River shareholders received two shares of new stock for each share held.

COMPANIES	TERMS OF MERGER
Republic Iron & Steel.. and Trumbull Steel Co. ..	Trumbull Steel shareholders will receive one share of Republic for each 5 shares common and one and two-thirds share of Republic for each share of pfd.
Kraft Cheese Co. .... and Phenix Cheese Co.....	Phenix Cheese business arranged through issuance of 86,282 shares and part of proceeds of 5 million notes—name changed to Kraft-Phenix Cheese Co.
Borden Company .... and J. M. Horton Ice Cream Co .... and Reid Ice Cream Corp..	Borden Co. acquired these companies by issuing 83,000 shares of common for the Horton Company and 89,000 shares for Reid Ice Cream.
Texas Corporation ... and California Petroleum..	Merger arranged through exchange of one share of Texas Corporation for two shares of California Petroleum stock.

Vital Changes Brought About By European Currency Stabilization

A Colossal Movement Rapidly Consummated

By FRIEDERICH GRÜNDT

A STABLE currency is one of those things to which we in America have been accustomed as far back as the memory of most living men reaches. We are as little conscious of it as a healthy man is of his lungs or his heart. Yet only five or six years ago stable currency seemed a sort of romantic improbable dream to a large part of the populations of Europe. Wide currency fluctuation had brought about a state of affairs in which government bonds and savings bank accounts were trash, while stocks, foreign currencies and commodities of all kinds from pianos to diamond rings were the only sound investments; where a business man might exact a hundred per cent profit with the hope of keeping up with currency depreciation only to find himself wiped out within a week by a decline of five hundred or a thousand per cent.

The Results The net economic results of continued depreciation were seen to be a demoralization of normal business procedure through the impossibility of figuring costs and real profits for any length of time ahead; the elimination of the investor class and the ruin of the salaried and middle classes; the destruction of working capital and the strangulation of foreign trade through the impossibility of adequate imports.

Stabilization of currency was first accomplished, strange to say, in Austria and Russia, the latter being the earliest to return to a gold standard basis. Hungary, Poland and Germany next came into line and, more recently, Belgium, Italy, the Baltic states, Poland for the second time, the first stabilization having evidently been carried through at too high a level, minor European states such as Roumania, Greece and the Balkan states, and important non-European commercial countries such as Argentina and India.

The methods by which stabilization was achieved were various. Thus, the following examples: In Austria and Hungary, the support of the League of Nations was invoked; Ecuador, Colombia and Poland asked for an American Commission to help straighten out their financial affairs; Germany, Italy, Belgium and England borrowed money or established credits in this country to provide a gold basis for their new currencies.

Different Forms The forms which stabilization took also varied widely. Usually, a period of artificial stability in the foreign exchange markets preceded the announcement of a new currency (Belgium, Hungary, Austria), or the lifting of some or all the restrictions on the unlimited exportation and importation of gold, the currency thus returning to its gold par value (Holland, Switzerland, England). In other cases, the old name of the currency was retained, but a fixed ratio was set up between gold parity and value of paper currency as in Italy, Belgium (for internal trade only) and Greece. A modified form of gold standard known as the gold exchange standard consisted in making the new currency redeemable on demand, not in gold, but in stable exchange equivalent to gold.

In all these different ways, gold has been restored to its traditional place as the basis of currency and credit and the regulator of international exchanges in all the great commercial countries except France. France, through the accumulation of tremendous holdings of gold credits and exchange, and through the recent lifting of the prohibition on the export of capital has clearly signified that a complete return to some form of gold basis is not far off.

The Effects The effects hoped for from the return to a gold basis have, of course, been, in the first instance, the opposite of the evil effects of the currency fluctuation described above. Under a stable currency, capital begins to accumulate again, a saving and investor class is recreated, and adequate working capital can be built up and the foreign trade restored to a normal basis.

So far, however, in every country where standardization has been put through successfully, certain less welcome results have also had to be faced. Declining prices, decreased ability to compete in export markets, business depression, unemployment, have all been in greater or less measure the lot of the major European countries immediately following currency stabilization. In Germany, for a number of special reasons, such as displacement of England and various coal markets during the British coal strike, thorough going adoption of American methods of production and distribution (so-called "rationalization" aided by an enormous influx of American capital in the form of loans and stock purchases have helped dissimulate a generally depressing industrial picture.

Financial Recovery Along with industrial depression, however, has come financial rejuvenation. Not only are savings being built up but the fiscal position of many governments has been strengthened by stabilization at a well chosen level. By choosing a proper ratio between gold and paper, the paper debts of certain governments to their central banks have been wiped out in relation to their gold holdings. In the case of Italy, the stabilization level ultimately agreed on exactly sufficed to wipe out the state bank debt. The French government's debt to the Banque de France would be more than cut in half by stabilization at present rates.

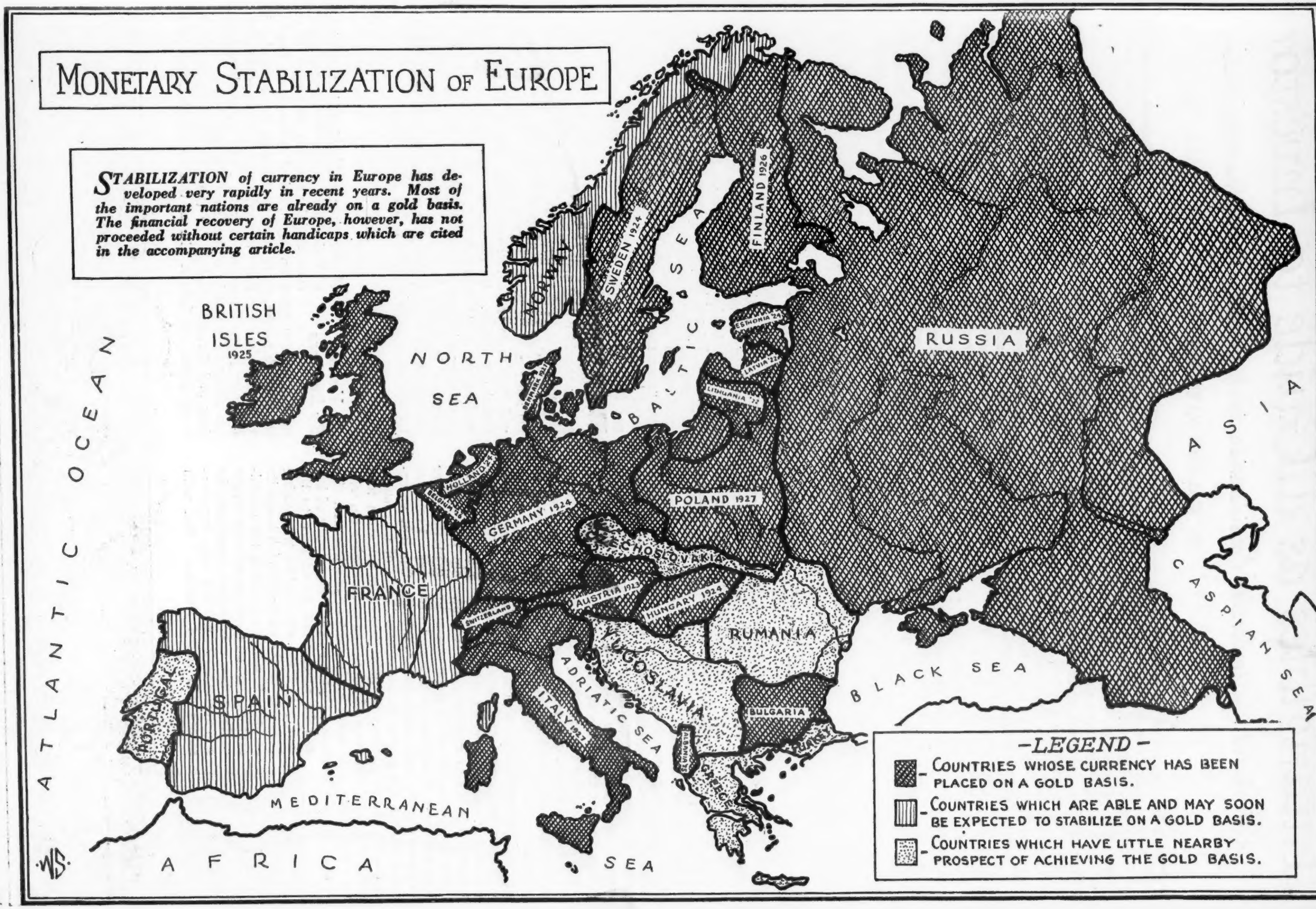
Another result of stabilization, which may have the most far reaching effects on the future of the world's banking systems, has been the changed policy of most of the great central banks with respect to their reserves against deposits. These deposits are of the utmost importance to any country where central banking is at all highly developed, as they represent the working reserves of the commercial banks who prefer to keep their own reserves in the form of an account with the central bank, while the latter before the war kept its reserve against such deposits in the form of a stock of gold.

Since the war, the great majority of these reserves are kept in the form of foreign exchange, whether bills of exchange, credit balances in foreign banks, foreign bank notes, short term investments in foreign banks like acceptances, treasury bills or loans against stock exchange collateral. Even where the central bank has no specific authority to compute such holdings as part of its reserve, as in Holland and Sweden, or where, as in France, the law fixes no specific requirements, as to the nature of the central bank's reserves against deposits, central banks have

(Please turn to page 916)

MONETARY STABILIZATION OF EUROPE

STABILIZATION of currency in Europe has developed very rapidly in recent years. Most of the important nations are already on a gold basis. The financial recovery of Europe, however, has not proceeded without certain handicaps which are cited in the accompanying article.



Intangibles as a Guide to Investors

A Neglected but Important Consideration in Estimating Future Security Values

By WALDON FAWCETT

THERE is danger to the investor in the current impulse to concentrate attention upon the physical assets of business. Danger, that is to say, to the investor's most precious resource, the cultivated foresight on which he relies to forecast the future of stock values. The spirit of the age is to set the highest store by the material things of life. In at least one quarter, however, this singleness of purpose is a menace to ability to vision tomorrow's development and that of the day after tomorrow.

Neglect, in investment appraisal, for the sentimental equations of commerce and industry has been growing insidiously for some years past. It started with the fashion to write off ruthlessly the valuations of patents, formulæ, and trade secrets. There followed the twin policy which calls for the carrying of individual, partnership or corporate good-will on the books at the nominal sum of one dollar, regardless of how long that good-will may have been building or how firmly entrenched. Such is the influence of custom that many investors have come to look askance at corporations which do not pursue the ultra-conservative policy in treatment of good-will and its symbols.

Franchises—Intangible Assets

Without wholly setting face against this instinct to regard "industrial property" as having no place in book value, the plea is advanced that the observant investor can be guilty of no more serious oversight than to ignore, in formulation of his investment policy, the corporate possessions commonly grouped in the designation "intangible assets." What franchises are to the public utilities, intangible assets are to business corporations. Yes, and to banking and insurance institutions as well. With this difference that the public utility concession is usually for a fixed, limited term whereas in the case of the most valuable of the intangibles, the monopolistic license is renewable and transferable and therefore is rightly accounted, perpetual.

The light esteem in which intangible assets have been held by so many analytical investors, eager for clues to the future, can only be explained by a suspicion that investors have been prone to confuse the less known but really more valuable intangibles with patents,—meaning in the latter case mechanical patents or patented processes. Prejudice has risen, with some, against recognition of patent valuations because the patent is the outward sign of a resource in course of exhaustion. Rigidly limited in duration to a comparatively brief span of years, the patent takes on, with each successive year a certain weight of obsolescence. To be sure, it may be argued that a patent's expectancy of life can be ascertained in advance to the month and the day, unlike the mining property or the oil well which keeps its secret. Similarly, there is the consideration that an alert patent owner may prolong his substantial monopoly by supplementary patents on improvements and added features. But with all these compensations, the vague distrust of patents as assets has persisted.

Intangible Assets vs. Patents

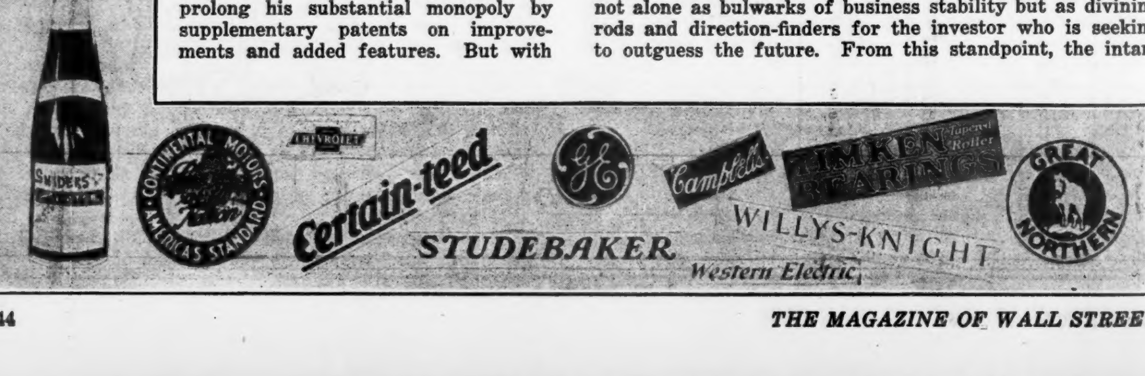
Where the vigilant investor is, perhaps, guilty of a mistake is in treating intangible assets as synonymous with patents. This parallel exists, if at all, only in the case of newly-established firms which have a nucleus of valuable patent rights but have not had time to nurture the other intangibles which count in the long pull. In relation to ultimate earning power and surplus there is little in common between patents and those less spectacular but more significant intangibles which inherently represent the momentum of business, viz., trade marks, trade names, brands, labels, and original designs applied to articles of manufacture or to the containers in which goods are marketed.

From the standpoint of the investor concerned with the elements which make for appreciation and income, the various types of intangible assets may be melted into a composite vehicle of commodity identification. As between trade marks and labels, for example, there are differences of form and of function. So, too, there are constraining instrumentalities of protection against imitation or infringement—registration on the one hand and copyright entry on the other. But, to the average layman, these are technical distinctions. By and large, the purpose of all these nicknames, emblems, and color devices is to render easy merchandise specification and to capitalize that "remembrance value" and "consumer recognition" which is automatically translated into repeat orders. Given this concert of intention, and the several members of the sign language of a business may be considered as an entity.

One of the best reasons why the investor in his prognosticating should not close his eyes to the intangible assets on the horizon is that the captains of finance and industry do not slight these reserves of good-will. Lip service may impel a directorate to, with brave gesture, eliminate the good-will item from the balance sheet, or reduce it to the traditional one dollar. But, privately, the directors are under no illusions as to nominalcy. It is an open secret that the inspiration of many a merger and the absorption of small concerns in larger has been found in a desire to attain possession of intangibles that represent the fruit of long tenure or energetic advertising promotion.

As Valued By Bankers

If executives and bankers in the privacy of their board rooms frequently place a confidential valuation in excess of one million dollars upon an alphabetical letter upon familiar trade mark names, there is no reason why the every-day investor should leave these intangibles out of his calculations. But our present concern is with these unlisted resources not alone as bulwarks of business stability but as divining rods and direction-finders for the investor who is seeking to outguess the future. From this standpoint, the intan-



"It is an open secret that the inspiration of many a merger . . . . . has been found in a desire to attain possession of intangibles that represent the fruit of long tenure or energetic advertising promotion"

gibles, which, from very necessity, are always exposed to the public gaze, have, for the investor one tremendous advantage over all other symptoms of corporate health. A corporation may fail to satisfy the exacting investor with the detail or the frequency of its financial statements. But it cannot withhold from the critical inspection of the cautious investor the workings of its intangible assets. These silent salesmen, whose standing and behavior in the community are open, every day in the year, to frank appraisal by the individual, offer almost infallible mentors for the investor who will direct his powers of observation in this quarter.

Name Important Question

Is a given brand gaining or slipping in popularity? Is the "territorial brand," so called, making its way into adjacent market areas? Is the interest in control of a trade mark encouraging the primary asset to pay extra dividends through junior relatives or subsidiary products that may ride to public favor on a time-tried and trusted name? Will the owner of a glorified trade name be able to enter the export field under his vested buy-word or must he start from scratch in foreign markets under a new name because the domestic handle is not suitable or translatable? These are but a few of the questions that an investor may ask profitably, once his deductive faculty has been sharpened. Most of the queries he may answer for himself with only a fraction of the original research he might pursue in other directions with less satisfaction.

Investors underestimate when they assume that corporate autographs and commercial finger prints are factors to be reckoned with only in the case of manufacturers, and preferably manufacturers engaged in the production of specialties. In refutation it need only be cited that one of the most radical departures in the business trends of the past few years has been found in the determined efforts of leaders in various lines to find means to identify to ultimate consumers, raw materials and staples formerly sold only in bulk and unbranded. Sugar refiners resorted to the expedient of packaging, the packages carrying distinctive trade names. Means have been found to badge all the erstwhile hard-to-brand products from nuts to lumber, even though in some instances it was necessary to invent special machines to accomplish the imprinting. In the end, methods have been perfected for crediting coal to the colliery of origin and what is more remarkable, the markings have been made integral with the coal to the degree that endures all the hazards of transportation and carries through to the ultimate consumer.

Pictorial Suggestion

As for the range of intangible assets of this versatile class, it might be added that insurance companies have demonstrated the powers of pictorial suggestion, as witness the classic, the Rock of Gibraltar. Meanwhile banks and trust companies have consolidated reputation in seals and symbols that have proven their magnetic power when branch banks were opened. Finally, to confound the idea of restriction of intangible assets, the investing community is face to face with the private brand or "own label" as a recognized means of support for the mail-order, chain store, and merchandising stocks. Ere long the prospective investor's first question regarding a distributive organization, wholesale or retail, may be for the house-brands that are controlled.

The Federal Government, in all its supervision of trade mark practice, has always recognized that the right of trade mark ownership may rest no less with the interest that selects, owns and sells merchandise than with the interest which manufactures, produces or imports. Only in recent years, however, and notably since the development of the store chains and metropolitan department stores, have the leaders in merchandising fully availed themselves of the opportunity to acquire prestige and rise superior to competition through the use of private brands. Just as the far-sighted investor may warrantably inquire what private brands contribute strength to a merchandising organization so, in inverse curiosity he may, in his scrutiny of industrial concerns, seek knowledge of what portion, if any, of the output of a given factory is manufactured under private brands for outside interests. Obviously, there is a contingency to be reckoned with here, since, at the expiration of a contract, a private brand owner is free to transfer his business, and the brand which is applied by proxy, to any other seat of production where he is confident of obtaining the quality, requisite to maintenance of brand integrity.

Barometric Value of Intangibles

Intangibles as guides in investing have become more significant since the current development of an acquisitive or reinforcement policy by specialty manufacturers. By use of cash or stock, the "strong hands" corporation is acquiring additional trade mark products. Hence, the opportunity for the investor to pursue a new line of scrutiny. What are the several corporations doing in the formation of trade mark alliances? What selective program or policy is followed in forging new trade mark links in the chain? How much diversification of trade mark-carrying products is possible or desirable for an expanding corporation? To what extent will massing of trade marks influence competition in the commodity scene and react upon bulk product houses, on the one hand, and lone specialty contenders, on the other hand? These are questions that will be in order, tomorrow and the day after tomorrow with the investor who reasons that he is safer watching, in the open, the day-to-day status of trade marks than waiting for an annual report.

That investors should slight or ignore the barometric possibilities of trade marks is unthinkable, seeing that capitalists and captains of industry are

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Bond Market Purging Itself of Internal Weakness

A Critical Bond Study Touching on Factors Seldom Discussed by Market Observers

By ARTHUR M. LEINBACH

DURING the past few years, the bond market has experienced an important transition, hardly noticeable on the surface, but which has quietly rendered the bond market a good deal less of a strictly investment field. Under cover of an abnormally heavy demand for bonds during the past five years, the effects of this change have been submerged, but they will probably be more pronounced from this time.

Bond values, on the average, have risen at the rate of about three points a year. Lower interest rates have brought considerable refunding on the market. New offerings have appeared in record breaking volume. According to all traditional standards, the bond market has enjoyed a long period of prosperity, created on a structure of sound fundamentals.

A Test

Since the peak of the upward trend was reached at the close of the year 1927, however, interest rates have settled to an even level; refunding operations have slowed up a bit and new offerings have appeared in considerable smaller volume than the latter months of the past year. During this breathing spell, money costs showed a marked tendency to stiffen. The rates of commercial borrowing rose fractionally, and the Federal Reserve rediscount rates were marked up to what is now generally accepted as a uniform bank rate for the nation of 4%, as compared with the rate of 3½% that ruled at each of the twelve banks since the fall of 1927. Under this circumstance the bond market has been put to an interesting test, and the movement of prices since the first of the year now tells a story that has been academically discussed, heretofore, but never quite so graphically illustrated.

This is the story of the speculative influences that have crept into the bond market within recent years. To fully appreciate the significance of these influences, it is necessary to review some of the revolutionary developments that came into the securities markets during the war and in the years following. For the expansion in bond financing in this country brought with it important changes in the distribution of investment securities, which here and there are reflected in the movement of bond prices today and which will probably be still more pronounced in an extended period of interest rate stabilization.

A New Phase

There was a time when price movements in the bond market were defined almost exclusively by the single powerful factor of money rates. This was the "pre-war" bond market, however, far less complicated in structure than at present and before the days of the "investment education" of the great American public. A very distinct line was drawn between capital shares, as the inherently speculative media, and bond issues as the strictly investment group.

This distinction, of course, still exists but the line is less finely drawn. Certain types of common stocks have come to be in included in "strictly investment lists" as companion pieces to the fixed income obligations of both corporations and governments. On the other hand, the newer requirements faced by security distributors since the war resulted in the intrusion of inherently speculative issues which have been set up and offered to the investing public in the form of bond issues. The combined result of these two factors has been the erection of a sort of a "twilight" zone in which there now slumbers a mixed group of strong investment stocks and bonds which enjoy the doubtful distinction of being secondary bonds.

As far as the bond market alone is concerned, this group of secondary bonds performed in a very peculiar manner when higher money rates arrested the advancing trend of bond prices during the early weeks of the year. The performance was all the more enlightening because a break in stock prices also occurred during this period, demonstrating the correlation between the price trend of the investment class of stocks and the secondary grade of bond issues. The most interesting fact disclosed by this group was the tendency to react to a wide diversity of influences, none of which had any direct bearing on the trend of money rates.

For example, the medium grade rail bonds sold off in sympathy with the liquidation noted among the standard grade investment railroad stocks. Some of the weaker issues were further influenced by reports of lower earnings and the reaction in a few of the weaker issues of the southern roads which showed a marked slump in operating income was carried to a level out of line with their recognized investment merits. Before this liquidation was completed such issues as the Seaboard Air Line mortgages were off ten points from the prevailing level at the start of the year, although they recovered after the "panic" selling spent itself. The adjustment bonds of this same road now show a spread of some thirty points between their extreme high and low range for the year 1928, a wide three month's range even for a bond that is conceded to be an outright speculative issue. Earlier in the year, Pathé Exchange 7s broke more than thirty points, another example of unsophisticated bond trading for almost half of the slump was subsequently recovered.

THE completely revised form of The Bond Buyers' Guide will appear in the next number. Any questions relating to the changes made should be addressed to the Personal Service Department.

Reflected in Secondary Bonds

Unfavorable trade news was reflected in the price movements of the secondary grade bond issues of industrial origin to an unusual degree. General depression in the coal industry, for instance, seems to be solely responsible for the marked weakness of such issues as Consolidation Coal of Maryland 5s and Hudson Coal 5s, both of which are issues of a fairly high intrinsic measure of investment strength. In the same way, the continued depression in the oil industry has been finally reflected in marked liquidation of the medium grade bonds of some of the weaker companies such as the Sims Petroleum 6% notes, the Sinclair Consolidated 6½s and the Phillips Petroleum bonds. Sugar company bonds, notably the Cuba Cane Sugar debentures and, to a less marked degree, the American Sugar Refining 6s, reflected in their recent price trend the unfavorable developments in their industry.

Convertible features and stock purchase privileges have accentuated the influence of a downward movement of common stocks, but the price trends of the leading fixed income securities have been frequently a counterpart of the price paths marked out by the common stocks, even in the instances where there was no direct relation between the shares and the bonds of the same company. The bare factor of money rates, in other words, played no pronounced part in defining bond values in this group. As long as the general price trend was steadily advancing, local disturbances in the various industries played no prominent part in shaping individual bond values. With interest rates stabilized for the time being, however, the secondary grade of bonds proved to be susceptible to speculative influences of various sorts.

Current News and Bonds

The speculative influence of current "news" affect bond values to an extent that is widely out of line with the precepts of former years. The New York City traction situation has been on the front pages of the newspapers a good deal of late. Many of the local traction bonds established wide price swings as each item of this news was prematurely interpreted into future speculative values. Brooklyn Queens County & Suburban 5s of '41 sold down to as

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U. S. Rubber 1st 5s

A Strongly Fortified Investment

Selling Below Value in the Market and Offering a Substantial Income Return

By VICTOR WELLS

U. S. Rubber

	Book Property Value after Depreciation (millions)	Net Working Capital (millions)	Bank Loans (millions)	Funded Debt (millions)	Interest Times Earned*	†Price Range of 5% Bonds High	Low
1922	$176.6	$80.1	$25.1	$83.4	2.54	91	86
1923	181.5	73.3	38.2	82.4	2.55	89	84
1924	183.8	72.7	31.5	81.5	2.92	88	78
1925	183.9	123.4	Nil	110.5	4.02	92	85
1926	184.6	110.4	11.8	107.6	2.20	95	92

* Exclusive of inventory adjustments and plantation earnings.

† Price range 1927—97-88; 1928 (through February)—96-92.

UNITED STATES RUBBER is one company concerning which the market shows but little discrimination as to the relative merits of the different securities. The varied fortunes experienced since the close of the World War have been reflected in wide price fluctuations, not only in the common stock, which naturally was to be expected, but likewise in the preferred stock and bonds, even though preferred dividends have been continued uninterruptedly, and no question as to the safety of bond interest has ever arisen.

Wide Fluctuations in Bonds

The 5% bonds sold as low as 70 in 1920 and since then have moved irregularly between 75 and 96, whereas the preferred, paying 8% dividends in every year, has covered close to a fifty point range with an extreme low of 66½ in 1924. The action of the preferred is more plausible in that dividends are non-cumulative and there have been times when it appeared that payments might have to be suspended at least temporarily. The real feature of the situation is the opportunity that has been afforded at various times for the acquisition of a first mortgage issue on highly advantageous terms, a condition which exists in modified form at this writing, preliminary estimates in regard to the forthcoming unfavorable report covering 1927 operations having precipitated one of those reactionary movements similar to what have occurred at frequent intervals for several years past.

This tendency has been aggravated by the recent sharp declines in the crude rubber market which may lead to further inventory losses during the current year. The earnings position, as in the case of all rubber companies, is closely tied up with the question of inventory values. Unlike its large competitors, U. S. Rubber did not write down its inventories at the close of 1926 to conform to the materially lower rubber prices then prevailing, but did, however, utilize its entire net profit after preferred dividends in that year as a reserve against inventories.

The belated adjustment is scheduled to be made as of December 31, 1927, and the chances are that it will absorb the reserve already set up and more. This makes U. S. Rubber's position look worse than it really is, for it amounts virtually to a repetition of what the other companies experienced a year earlier. The inventory problem will continue to be a thorn in the side of the industry until some means is found of providing a greater degree of stability to the crude rubber market. The most important development affecting the crude rubber situation is the contemplated action on the part of the British Government in abandoning its plan of artificial restriction on production, but it is hardly likely that such an event would prove to be a stabilizing factor.

Improvement Needed in Earnings Position

U. S. Rubber's earnings position purely on an operating basis, without regard to inventory adjustments, leaves much to be desired, especially in respect to 1927 in comparison with the accomplishments of its more important competitors such as B. F. Goodrich and Goodyear Tire & Rubber. There was a marked falling off from the previous year in the dollar value of sales owing to generally lower prices for finished products. Net income for the first six months was 3.24 millions, not greatly in excess of preferred dividend requirements, and for the full year the company is not expected to show much more than 6 millions, which would be equivalent to about $1 a share on the common stock. This compares with 7.74 millions in 1926 before inclusion of plantation profits, in contrast to material improvement in net shown by Goodrich and Goodyear.

Business in commodities other than tires, which constitutes two-thirds of U. S. Rubber's activities, yielded far smaller returns than normally on account of reduction in selling prices, so that the relatively inferior showing need not be considered a permanent state of affairs. Moreover, the company possesses one distinct advantage not shared by its competitors. It is the only American rubber goods manufacturer which operates rubber plantations on any extensive scale. Profits from this source amounted to 6 millions in 1926 and are estimated at about 4.5 millions for last year. Costs have been and are being reduced to a point where increasingly good earnings are virtually assured except in the event of an utter collapse in the crude rubber market, and steady progress is under way both in annual production and in yield per acre.

Bond Situation

Of paramount importance for our present purposes, however, is earning power in relation to funded obligations rather than in general. In no year, with the exception of 1921, have earnings after allowance for depreciation failed to cover interest requirements at least twice over even after deduction of inventory adjustments, and in normal years the margin of safety is

appreciably greater. The minimum balance available for interest in the last decade, outside of 1921, was in excess of 12 millions without taking into account any profits derived from rubber growing activities. As against this, interest charges on funded indebtedness are approximately 6.4 millions. Nineteen hundred and twenty-six was the first year in which earnings from the plantations were utilized by the parent company, and there is an accumulated surplus from past years of 9 millions which is available in case of need. Plantation profits alone may be counted on as an emergency fund to take care of upwards of 50% of interest requirements, but that the company will be compelled to resort to such an expedient is extremely doubtful. It simply serves to illustrate the income security behind the bonds even during periods when manufacturing earnings are well below standard. Moreover, it should be borne in mind that preferred dividends, which absorb 5.2 millions annually, could be withheld in case of necessity for the benefit of bondholders.

Out of a total funded debt of approximately 108 millions, the 1st & Refunding Mortgage 5s of 1947 are outstanding to the extent of 60.7 millions, although there is an additional 23.8 millions 6% bonds issued under the same mortgage which are deposited as security for 18.9 millions 7½% notes maturing in 1930. The only prior lien is a small subsidiary issue of only 2.6 millions. The 1st & Refunding bonds are secured by direct mortgage on the properties owned or controlled by the company, or by pledge of mortgage bonds or stocks of subsidiaries owning or controlling such property, with restrictions on the creation of further mortgages by subsidiaries. The issue for all practical purposes is a prior lien on property with a book valuation of over 180 millions, and supported by net working capital of more than 100 millions. The Series A 5s are redeemable as a whole at a price of 105. Provision is made for a sinking fund amounting to 1% annually of the bonds outstanding plus the amount previously retired by sinking fund, to be used for the purchase of bonds at a figure not to exceed 105 and interest. Approximately 7 millions par value of bonds have been retired thus far in this manner.

Belief in the fundamental soundness of the bonds from a statistical standpoint is at any rate accorded a certain measure of support by the acquisition not long ago of a substantial block of common stock, believed to aggregate more than 25% of the outstanding shares, by members of the duPont family. The bonds will not be immune from market fluctuations any more than they have been in the past until the affairs of the company are better stabilized, *but the current reaction to a level around 92, nevertheless, provides an opportunity to secure a strongly fortified investment yielding close to 5.7%, a very good yield in this market.*

Bond Buyers' Guide

Bonds for Income Primarily

GOVERNMENT ISSUES	Prior Liens (Millions)	Times Interest Earned on all debt	Call Price	Price	Current Income	Yield to Maturity
Argentine 6s, 1959 ....(a)	....	....	....	100	6.00	6.00
Chile 6s, 1960 ....(a)	....	....	100	93	6.45	6.52
Dominican Rep. 5½s, 1942..........(a)	6.4	....	101G	100½	5.47	5.50
Haiti 6s, 1952 ....(b)	....	....	100G	100	6.00	6.00
Panama 5½s, 1953 ....(a)	....	....	102½G	103¾	5.30	5.23
RAILROAD ISSUES						
Cuba R. R. 1st 5s, 1952..................	....	3.30	....	98⅝	5.07	5.09
Central of Georgia, Ref. 5½s, 1959......	31.1	1.74	105G	108	5.10	4.99
Chicago & West. Ind. 1st Ref. 5½s, 1962	60.1	X	105	105¼	5.22	5.18
Erie & Jersey, 1st 6s, 1955..............	....	1.61	115	113½	5.28	5.09
Great Northern, Gen. "A" 7s, 1936..(b)	139.3	2.67	....	115⅛	6.09	4.79
Kan. City Sou., Ref. & Imp. 5s, '50....	30.0	2.07	105A	101½	4.93	4.88
Minn., St. P. & Sault, 1st Con. 5s, 1938	....	1.19	....	99¾	5.01	5.03
Norfolk Southern, 1st 5s, 1961..........	3.8	1.21	105	96½	5.18	5.22
Peoria & Pekin Un. Ry., 1st 5½s, 1974.	....	2.04	105G	107½	5.12	5.07
Rock Isl., Ark. & La., 1st 4½s, '34..(b)	....	1.53	105T	99	4.54	4.71
St. Louis Southwestern, 1st Terminal & Unifying 5s, 1952	45.2	2.05	....	102½	4.88	4.88
PUBLIC UTILITIES						
Amer. W. W. & Elec., Coll. 5s, 1934.(b)	....	1.34	102½	100¾	4.94	4.88
Brooklyn City, 1st Con. 5s, 1941........	....	3.48	....	94¼	5.30	5.62
Hudson & Manh., 1st Ref. 5s, 1957..(b)	5.6	2.01	105	101⅛	4.96	4.94
Indiana Nat. Gas, Ref. 5s, 1936........	....	2.00	....	100	5.00	5.00
Louisv. Gas & El., 1st Ref. 5s, 1952.(b)	1.2	2.34	110T	104⅝	4.76	4.68
New Orleans Public Service, 1st Ref. 5s, 1952 ....(b)	10.5	1.70	105T	100⅛	4.96	4.97
N. Y. Steam Corp., 1st 6s, 1947.....(a)	....	2.05	107½GT	108½	5.53	5.31
Pacific Gas & Elec. Gen. & Ref. 5s, 1942	40.3	2.00	105T	103¾	4.82	4.66
Rochester Gas & El., "C" 5½s, 1948.(a)	12.5	2.08	105GA	107¼	5.11	4.92
INDUSTRIALS						
Bethlehem Steel, P. M., 5s, 1936.........	5.1	2.20	105	101	4.94	4.85
International Paper, 1st 5s, 1947.........	....	7.26Y	102½	101	4.94	4.90
Mortgage Bond, 5s, 1932..............(b)	....	1.68	100	99	5.05	5.30
Schulco "A" 6½s, 1946 ....(a)	....	X	103T	103⅛	6.31	6.20
Sinclair Pipe Line, 5s, 1942............(a)	....	4.46	103	95	5.27	5.46
U. S. Rubber, 1st 5s, 1947...........(b)	2.6	2.91	105T	92¼	5.43	5.65

Bonds for Appreciation of Principal Primarily

RAILROADS						
Central New England, 1st 4s, 1961......	0.2	X	105	86⅛	4.65	4.85
Erie, Gen. Lien 4s, 1996................	91.6	1.46	....	84¼	4.78	4.75
Mississippi Central, 1st 5s, 1949......(b)	....	1.36	110A	99½	5.03	5.04
Missouri Pacific, Gen. 4s, 1975........(a)	10.4	1.28	100A	80⅛	4.96	5.10
New Haven, Non-conv. Deb. 4s, 1956...	49.4	1.48	....	86½	4.61	4.88
Northern Ohio, 1st 5s, 1945..............	....	2.60	....	101¾	4.91	4.84
Seaboard Air Line, Ref. 4s, 1959........	46.4	1.25	105A	64	6.25	6.80
Texarkana & Ft. Smith, 1st 5½s, 1950..	....	2.02	107½A	106¼	5.17	5.02
Western Maryland, 1st 4s, 1952......(b)	2.3	1.24	....	85	4.69	5.05
PUBLIC UTILITIES						
Brooklyn-Manhattan Tr., 6s, 1968....(b)	....	1.52	105	98⅝	6.08	6.09
Market St. Ry., 1st 7s, 1940.........(a)	....	2.22	106½T	99½	7.04	7.08
Montreal Tram., 1st & Ref. 5s, 1941.(a)	....	1.31	105A	101⅝	4.91	4.83
Sierra & San Francisco, 1st 5s, 1949....	....	1.78	105	103⅞	4.80	4.71
Utah Power & Light, 1st 5s, 1944.......	....	1.97	110	102¾	4.86	4.75
INDUSTRIALS						
B. F. Keith, 1st & Gen. 6s, 1946........	4.8	4.16	104T	100	6.00	6.00
Pressed Steel Car, Conv. 5s, 1933.......	....	3.80	100	96	5.20	5.85
Walworth Co., 1st "A" 6s, 1945.....(a)	....	2.73	104½T	96	6.25	6.38
Webster Mills, 6½s, 1933............(c)	....	2.44	106½T	97	6.70	7.22
American Chain, S. F. 6s, 1933......(a)	....	6.84	105	104¼	5.75	5.05
American Type Founders, 6s, 1940.......	....	3.84	105	105½	5.71	5.42
California Petroleum, Conv. 5s, 1939.(a)	....	11.56	103T	100¼	4.99	4.96
Dodge Bros. Conv. 6s, 1940...........(a)	....	9.97	110T	89½	6.70	7.27
White Sewing Machine, 6s, 1936......(b)	....	5.60	105	†103¾	5.78	5.43
SHORT TERMS						
Cen. of Georgia Ry., Sec. 6s, June 1, '29	31.1	2.11	102T	101⅝	5.90	4.95
Sloss-Sheffield P. M. 6s, Aug. 1, 1929...	1.7	4.55	105	102	5.38	4.60

Note—All bonds in $1,000 denominations, except (a) lowest denomination $500, (b) $100, Earnings are on five-year basis unless shorter basis is only one available. Where bonds are assumed, earnings of guarantor company are given.

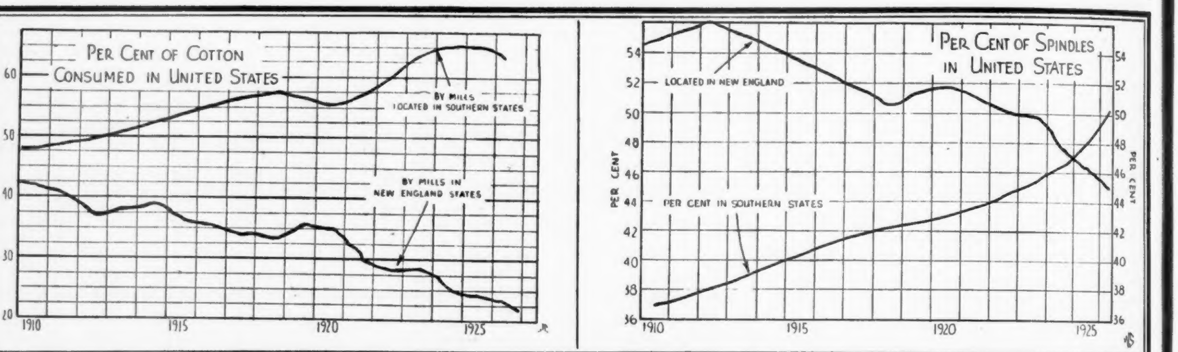
Y—Recent earnings about 2:16 times. A—Callable as a whole only. T—Callable at gradually lower prices. G—Not callable until 1930 or later. X—Guaranteed by proprietary companies. NS—Not segregated. (c) Listed on N. Y. Curb Market. †Without warrants.

Southern Railway Co.

From Speculative Football to Sound Investment

A Magnificent Record of Growth

By MAX HALPERN



THE progress of the south during the past quarter of a century is based upon a more genuine appreciation of the possibilities it enjoys. Its wide variety of raw materials enables it to maintain to advantage practically every line of manufacturing industry. The latter has also been aided by an abundance of fuel and power resources.

Greater progress has been witnessed in the development of hydro-electric power in the southern states than elsewhere in the country. Nearly 50% of the total increase in water power developments in 1926 was in southern states, which now have approximately 25% of the country's developed hydro-electric power.

The industrial transformation of this region in which 37,000 industrial plants are now located, producing manufactured goods having a value in excess of ten billion dollars or one sixth of the total of the United States in 1926, has been in a large measure due to the transportation facilities afforded by the railroads. It is not surprising, therefore, that the Southern Railway has contributed substantially to the development of this territory.

The lines of the Southern Railway System traverse every state east of the Mississippi River and south of the Potomac and Ohio Rivers, with the exception of West Virginia. In mileage, this system is one of the largest in the country being sixth in size. Directly operated lines embrace approximately 6,800 miles and if subsidiary and affiliated lines are included, the System comprises approximately 9,400 miles.

Few railroad systems traversing the south can be said to dominate the territory with the exception of certain localities they may serve. The Southern Railroad covers by far the greatest portion of the interior of the south. It connects Birmingham and Atlanta with Richmond and Washington and extends to such important gateways on the north and west as St. Louis and Cincinnati.

Its lines also enter Louisville, Kentucky, from which city it reaches Chicago over the Chicago, Indianapolis & Louisville Railroad which it controls jointly with the Louisville & Nashville. To the south it reaches out to New Orleans and in addition, it links all the northern points with such ports as Savannah, Mobile, Charleston and Norfolk.

Of vast importance is the fact that the main line from Washington to Atlanta is completely double tracked. The latter city is termed the "cross roads" of the south, with fifteen radiating lines of eight railroad systems entering and leaving the city. In view of the fact that from here a semi-circle of fifteen ports is accessible, it is of utmost importance to observe that the Southern Railway has five of these lines emerging from Atlanta.

The traffic of Southern is well diversified and its growth has been fairly uniform during the past few years. The total tonnage transported increased from 35.4 to 48.1 million tons, a gain of 35.6% during 1922-1926. Products of mines constitute the largest group of commodities transported, totaling 44.2% in 1926, which are the latest figures available. The largest individual commodity carried is bituminous coal which amounted to 30% of all the tonnage transported in that year.

Manufactures comprised 23.6% of the volume of traffic, products of agriculture 9.7%, animals .99% and products of the forest 15.9%. The last named item has been declining in importance, its relative increase over a period of years being smaller than the gain in total tonnage. The rapid increase in manufactures amounting to 43% since 1922, reflects the industrial growth of the territory. The largest increase in tonnage of any individual item in the past five years was clay, sand, stone and other quarried products, which was 67.2%. The latter would seem to indicate that the ceramic industry is developing quite rapidly in the territory, which is well suited for its continued growth. Moreover, it seems reasonable to infer that the rapid development of this tonnage should find reflection in a still greater increase in the volume of manufactures since clay and quarried products serve as raw materials for finished products classified as manufactures. Support-

ing the latter contention is the fact that an increase of approximately 53% was registered since 1922 in such items as cement, bricks, refractories and other related items.

Operating revenues have grown steadily since 1922. Receipts from freight show a steadily rising tendency notwithstanding an average decrease from 1.352c to 1.25c or 7.6% per ton-mile of revenue freight transported. Offsetting this, however, was an increase of 38.5% in revenue ton-milage. Passenger revenues have been declining due to increasing competition of motor vehicles resulting from extensive road building programs in many states served by Southern.

The growth of the company's freight business is due to the extensive industrial development of the territory rather than as a result of the extension of its mileage. Revenue from freight increased from $88,081,071 to $112,772,537. Net operating income for the period increased $15,056,005. Since passenger revenues fail to register any gain during 1922-1926, the increase in the latter items is due solely to freight transported. That 61% of the gain in freight revenues should be carried to net operating income attests to the efficiency of the management. Reflecting the latter is a reduction in transportation expenses from 39.6% in 1922 to 33.4% in 1926. Maintenance charges remained constant and were no doubt satisfactory. The physical condition of the road was such as to permit heavier movement of traffic. Equipment, especially locomotives, was well up to standard requirements.

By increasing the average train-load, daily car mileage, speed per train-hour and reducing fuel consumption, operating efficiency was brought to a point where the decrease in gross last year was accompanied by a comparatively small decline in net operating income. Thus, a reduction of $7,828,913 in gross revenues resulted in a loss of $2,763,721 in net operating income in 1927. The accompanying table reflects the operating progress since 1922.

Interest and other fixed charges rose from $16,184,352 to $17,789,014. Net operating income for 1922 was $24,956,245 and rose to $41,385,736. Whereas, prior charges increased approximately 10%, net operating income increased 74% during the period. The accompanying table reflects the record of Southern Railway during the past five years.

The ability of Southern Railway to attain such high operating standards is largely the result of upbuilding the property for many years. This was largely accomplished by withholding dividends and reinvesting net income in the property, especially for a long period when the purchasing power of money was much greater than in recent years. As a result, a large portion of its investment could not be duplicated at the prices which reflect their present book value. Since 1922, $80,722,099 was expended on additions and betterments to the property. More than 8,300 new freight cars, all of greater capacity, were added to equipment. The foregoing has undoubtdly found reflection in reducing hire of equipment which declined from $4,213,018 in 1922 to $566,185 in 1927. The tractive effort of locomotives increased approximately 10% during the period. Since 1922, 1,036 miles of track was relaid with 100 lb. rail. No rail of such weight was laid prior to 1922. Approximately 700 miles of road was equipped with automatic signals at the close of 1926 and additional amounts were also expended for this purpose in 1927. Many bridges were strengthened or replaced with new structures in order to permit heavier train-loads.

Southern is well equipped with adequate terminal facilities which are so important towards efficient operation and in avoiding congestion. Moreover, future requirements have been well provided for due to the far sighted policy of the management which secured ample land for this purpose at relatively low prices. Current assets increased $26,479,729 and investments rose $4,010,385. The greatest increase in assets was largely due to the return of approximately $63,000,000 or the equivalent of $48 per share of common stock to the property. The increase of $42,262,000 in bonded debt reflected the only new securities issued during the period.

The item "Investments in affiliated companies," especially stocks, warrants careful examination. As of December 31, 1926, their value was reported at $34,824,618, which represented a reduction of $400,040 since the close of 1921. Included therein were 34,500 preference and 90,810 ordinary shares of the Alabama Great Southern Railroad. At the close of 1921 their combined value could not have exceeded $6,500,000 based on market quotations then prevailing. Yet, today, these holdings are appraised in excess of $20,000,000 marketwise. Through its subsidiaries it holds approximately 26,100 shares of Cincinnati, New Orleans & Texas Pacific Railroad common stock. In 1921, these holdings had a market value of about $1,900,000, yet, on the basis of current market quotations they are worth today close to $12,000,000. Other subsidiary holdings, for which no market quotations are available, are undoubtedly worth more if appraised, on the basis of their steadily growing earning power. Thus, for example, Mobile & Ohio 4% certificates which were issued against $6,016,000 par value capital stock of the latter road are carried as a liability of $5,650,200. Net income of the road has aggregated $8,301,958 since 1922, an average of $1,660,382 or almost $28 per share of stock annually. While the actual value of its holdings of stocks cannot be determined with any degree of accuracy, the prices at which they are carried could undoubtedly be revised considerably upward.

The capitalization of Southern Railway consists of $295,354,300 bonds, including $36,140,800 equipment obligations, $60,000,000 5% non-cumulative preferred stock and $130,000,000 common stock. Funded debt comprised 61.3% of the total capital obligations outstanding and stocks amounted to 38.7%. This ratio compares favorably with most railroads in the United States.

To finance additional improvements to the property, common stock to the amount of $10,000,000 was sold to stockholders at par in 1926. Earnings on the junior equity averaged $12.90 per share since 1923, based on the amount of stock outstanding. In 1926, $17 was earned on the common stock and in 1927, approximately $14.50 per share. Equities in the undistributed subsidiaries have also increased

(*Please turn to page* 908)

Southern Railway Company

	1922	1926	11 Mos. 1926	11 Mos. 1927
Average train-load (tons)	503	559	560	573
Average number of cars per train	31.4	37.4	38.3	40.5
Speed-miles per train-hour	11.7	12.9	12.9	13.6
Fuel consumption—lbs. per 1,000 gross ton-miles	198	159	158	149
Daily car mileage	21.5	32.0	32.1	31.3

Year	Gross Revenues	Operating Expense	Net Operating Income	Other Income	Fixed Charges	Net Income
1927	$147,639,062	$103,907,953	$32,765,062	*	*	*
1926	155,467,975	107,866,588	35,528,783	$5,856,953	$17,789,014	$23,596,721
1925	149,313,891	103,811,951	35,086,021	5,273,998	17,779,849	22,579,172
1924	142,486,514	102,674,674	30,442,719	4,842,661	17,416,240	17,769,140
1923	150,467,985	112,414,985	28,128,136	3,584,166	16,575,304	15,136,998
1922	128,459,847	97,170,133	20,472,778	4,483,467	16,184,352	8,823,796

* Results for 1927 not available.

Puget Sound Power & Light Co.

A Utility Stock Worth Watching

Progress in Recent Years Indicates Increasing Probability of Dividends on Common Stock—The Other Issues

By GEORGE T. WARNER

Puget Sound Power & Light

	Gross Earnings (Millions)	Net Income Before Reserves (Millions)	Common Share Earnings Before Reserves	Property Value (Millions)	Customers Served (Thousands)	Electricity Generated (Million K. W. H.)
1921	$10.0	$2.4	$7.31	$68.9	58	419.2
1922	10.5	2.6	7.80	70.9	64	474.0
1923	12.4	3.0	7.64	79.0	93	577.6
1924	12.5	2.6	4.81	85.2	102	607.1
1925	12.8	2.7	4.93	93.9	113	632.6
1926	13.5	3.0	5.67	98.3	125	708.5
1927	14.9	3.5	7.49	100.7†	*137	*784.0

† As of September 30. * Partly estimated.

ALTHOUGH operating on a smaller scale than the principal companies in the neighboring state of California, Puget Sound Power & Light Co. ranks among the most important public utility enterprises on the Pacific Coast. Its field of operations lies in the western part of the state of Washington, in which section are located all the principal cities in that state with the exception of Spokane.

The enterprise is closely identified with Boston, Mass., financial interests, and executive management of the properties has been in the hands of Stone & Webster for a long period of years. The nucleus of the present organization was established in 1912 under the name of the Puget Sound Traction, Light & Power Co., which represented a consolidation of five existing companies, the present title not being adopted until eight years later. The change of name was appropriate in indicating the decline of traction business as a factor in earning power in conjunction with the increasing importance assumed by activities in connection with the output of electricity.

Territory Served

The territory served covers about 30,000 square miles and includes four out of five of the principal cities of the state of Washington—Seattle, Tacoma, Everett, and Bellingham. The company conducts the greater part of the electric light, power, interurban and street railway business in the region, the most important exception being the street railway system within the city of Seattle, which was sold to that city in 1919, 15 millions Seattle 5% bonds having been received in payment therefor. This transaction was the subject of protracted litigation in regard to taxes levied for 1919. The company's contention that the city should refund three-quarters of that tax, on the basis of the division of ownership in that year, was finally upheld by the United States Supreme Court, the amount at stake involving around $500,000.

The electric output is generated in both hydro-electric and steam plants, although the former predominate, numbering fourteen as against seven steam power plants and having a capacity of 185,330 horse-power as compared to 44,710 horse-power. Virtually all expansion in recent years has been in hydro-electric capacity, an important point for consideration in appraising the future, inasmuch as the initial cost of hydro-electric installation is greater than that of steam power, but the upkeep is materially less. Hydro-electric equipment, then, requires a considerable outlay of funds during the development stage, which, however, brings in increasing returns as time goes on. This undoubtedly explains in part why dividends on the common stock have been withheld during the past two years. The dividend policy will necessarily be guided by the exigencies of expansion as well as by a desire to attain an unquestioned credit standing.

The omission of the usual payment on the common stock in July, 1926, was the occasion for considerable surprise, as the trend of public utility affairs in general was very much upward, and the earnings of Puget Sound Power & Light itself were at that time progressing in satisfactory fashion. It was really an aftermath to the smaller net income derived during the two preceding years, and was likewise due to a decision on the part of the management that the best interests of the company would be served through a policy of instituting materially larger depreciation reserves. The maintenance of a $4 annual rate, although covered by a small margin, was evidently found to be too great a drain consistent with the establishment of a proper degree of financial stability and a desirable reinvestment of earnings in the property.

Improved Trend in Earnings

Moderate gains in gross earnings in 1924 and 1925 had been insufficient to counteract increased operating expenses and increased annual charges in connection with additional prior securities created, a condition due to the continued decline in transportation business, the depression in the lumber industry throughout the Northwest, and the emergency steam power which it was necessary to provide in order to offset the temporarily impaired water power facilities occasioned by the occurrence of a severe drought in the district. As a result, common share earnings in 1924 and 1925 were under $5 in contrast to more than $7 per share in each year from 1920 to 1923 inclu-

sive. The trend of earnings, both gross and net, took a decided turn for the better subsequent to the close of 1925, so that the suspension of common dividends in reality took place at a time when the worst of a situation, only moderately unfavorable, had already been passed over. Under these circumstances, the restoration of dividends, although not assured for the present year, appears to be only a matter of time.

Preferred Dividends

Preferred dividends from organization in 1912 up until 1922 were irregular, but in the latter year all accumulations were liquidated, and since then payments at the full $6 rate have been uninterruptedly disbursed. A prior preference 7% issue was created in 1922 as the medium for the payment of the major portion of these arrears in lieu of cash. Having preference over the preferred, the dividend record on this senior stock is, of course, unbroken. There are 100,000 shares of 7% prior preference and 220,000 shares $6 preferred ranking ahead of 202,829 shares of common stock without par value. The combined funded debt of the company and of its subsidiaries as of September 30, 1927, aggregated about 63.8 millions. Giving the preferred and common stocks an arbitrary nominal value of $100 as was formerly the case, the change to no par having been a comparatively recent development, the aggregate stock capitalization outstanding is found to amount to approximately 52.3 millions. On this basis the proportion of funded debt and capital stock to total capitalization is 55% and 45%, respectively, a fairly well balanced capital structure which will be in line for further improvement at such time as the company is in a position to finance through the sale of common stock.

At present the common stock alone represents less than 18% of the capitalization, a condition wherein changes from year to year in the balance available for the junior shares are in considerably greater ratio than variations in gross earnings. This detracts from the stability of the issue, but is, of course, conducive to the welfare of common stockholders from the speculative point of view as long as the trend of gross earnings remains upward.

Record Business

Suspension of common dividends, through conserving more than $800,000 cash annually, has already had the effect of strengthening the position of the preferred, rendering financing by means of preferred stock entirely feasible. The longer range objective, however, was to build up sufficient equities behind the common so that when dividends are resumed they may be regarded as a fixture, lending a degree of permanent attraction to the common such that it will be able to contribute its share towards the raising of requisite funds for the requirements of the business. Once this has been accomplished, it is reasonable to anticipate a higher market price in relation to earnings for the junior shares than has been the case since dividends were discontinued.

Earnings In 1927

Gross earnings in 1927 were close to 15 millions, establishing a new record for the company. The gain was far more impressive than those of recent years, amounting to over 10%, and especially so when the increasingly poor results of the traction end of the business are considered. One subsidiary, the Puget Sound Electric Railway, operating an interurban line between Seattle and Tacoma, has even defaulted on its bond interest, and the parent company has declined to advance any further funds in support of this losing enterprise. It may be that means will be found eventually to abandon street railway lines of this character, substituting therefor auto stage transportation to a materially greater extent than has already been done.

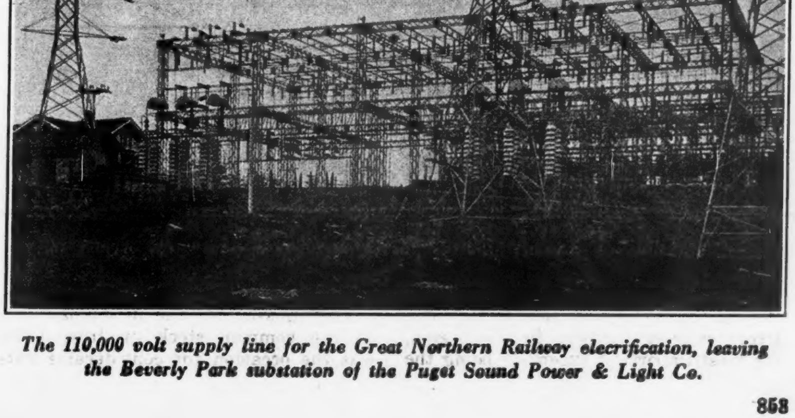
The balance after all charges and preferred dividends in 1927 was 1.52 million before allowing for depreciation, an increase of 32% over 1926, and equivalent to $7.50 per share of common stock. Share earnings, then, have once more risen to proportions comparable with those prevailing for several years prior to 1924, and the rate at which generating capacity and new distributing lines for extension of the scope of electric light and power service are being developed, would seem to indicate little chance for any reversal in the favorable trend of income within the near future.

Electric power and light is now the backbone as well as the most lucrative part of the business, and attention will naturally be concentrated in that direction. Capacity is maintained in excess of immediate requirements, and further extensions in facilities for distribution over a wider area will be conducive to a larger margin of operating profit. The construction program for 1928 calls for the expenditure of about 5 millions. Share earnings of $7.50 are of course not available in their entirety for common dividends. An indeterminate amount, perhaps more than 50%, will be applied to depreciation and other reserves, but, regardless of when it may be practicable to resume dividends, there is no question that much progress has been made in restoring earning power to a sounder basis.

The funded debt is divided between the company's own issues, principal among which are the 1st & Refunding 5½s of 1949, and various underlying subsidiary issues. The bonds for the most part are available in the "over the counter" market. The Puget Sound Power & Light 5½s are selling at a yield of about 5.15%, being rated somewhat lower than certain of the underlying issues which have been assumed by the parent company, especially those secured by first mortgage upon specific and formerly independently operated properties, such as Seattle Electric 1st 5s, Puget Sound Power 1st 5s, and Pacific Coast Power 1st 5s, all of which rank among the highest grade public utility issues and offer a return well under 5%.

Conclusion

The three stock issues are traded in on the New York Curb. The prior preference and preferred have advanced appreciably in the past year, but are still available on a yield basis of about 6.4%. The preferred is the more attractive of the two from the point of view of potential enhancement in value because of the wide spread between its market and its callable price of 125. The prospects of the common stock have already been outlined at considerable length. *Currently selling around 46, there appears to be ample leeway over a period of months for market appreciation sufficient to offset the disadvantage of an absence of dividends which in all probability is only temporary.*



The 110,000 volt supply line for the Great Northern Railway elecrification, leaving the Beverly Park substation of the Puget Sound Power & Light Co.

MINING

Investing in Mines and Mining Securities

An Exhaustive Analysis of What the Investor Should Know

By LUCIUS W. MAYER

(Mr. Mayer is one of the most eminent mining engineers in America and as such his article possesses especial force and authority. It would be well for investors to read this article carefully and file it away for future purposes, as it represents the guiding principles of mining investment.—EDITOR.)

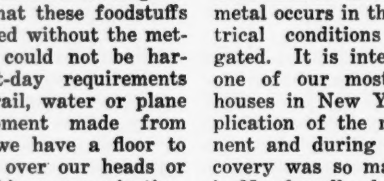
MINING lies at the base of industrial civilization, for without it we could not exist. It has always been the subject of dispute whether mining or agriculture is first in rank. The agriculturist claims, naturally, that we could not get along without foodstuffs, but the mining industrialist claims that these foodstuffs could not be produced without the metals, because crops could not be harvested for present-day requirements or transported by rail, water or plane without the equipment made from metals nor would we have a floor to stand upon, a roof over our heads or means of telegraphic communication. We would not be able to pursue any of the normal activities of life without the products which come from below the surface of the earth.

The mining industry in the United States has changed very materially, especially during the last 20 years. The picturesque old prospector is much less frequently met with, quite as the old-time cowboy — except perhaps in the moving pictures. Not alone has there been a great change in the methods by which new deposits are sought, but there have been tremendous strides in metallurgical practices, whereby the minerals, or valuable materials, are separated from the waste rock. What is known as "rock" in mining is either ore or uncommercial material in its broken state. This ore emanates from veins or masses, as the case may be, and after it is mined and brought to the surface the minerals which compose it, insofar as possible, are separated, so that the valueless material may be discarded, and then the minerals which are valuable are treated in such a way that the metals contained in those minerals may be recovered and made marketable.

At the inception, ore deposits usually evidence themselves at the surface. This does not mean that they always outcrop, but there are certain geological conditions which are considered favorable for the deposition of ore and the prospectors seek out these conditions. There has been developed in Sweden, and now practiced here on a considerable scale, what is known as electrical prospecting—whereby the behavior of electrical currents sent into the ground or electrical qualities existing therein may be observed in such a manner as to disclose whether or not metal occurs in the area where the electrical conditions are being investigated. It is interesting to know that one of our most important banking houses in New York financed the application of the method on this continent and during the past year a discovery was so made with this method in Newfoundland of major importance, by the American Smelting & Refining Company.

There are large areas in every country where it is hopeless to expect the occurrence of ore in any quantity, but there are few states in the United States that do not yield some minerals of commercial value. For example, Florida with its phosphates; Wyoming with oil and coal; fluorspar from Illinois, and even Arkansas has some diamonds; Tennessee and New Jersey, zinc; Texas, as we know, has oil but is by far the world's most important producer of sulphur, where the Texas Gulf Sulphur Company conducts an extraordinary operation. I have selected these states because they are least heard of here from a mining standpoint.

Mineral deposits occur in myriads of varying forms. Sometimes in veins, then again in masses. The veins may be narrow and shallow, or vice versa, and the values are quite as perverse in habit. Mass deposits are usually more persistent, are easier to mine, are usually low grade but inherently present less risk than vein deposits and, generally speaking, are more profitable in the end.



No two mining enterprises are ever exactly alike. There are sometimes similarities which are a great aid, one to the other, but the only similarity which can be counted on between any two mining properties is that there is always a great deal of grief before a property is finally put on a paying basis, and this is so, regardless of the degree of intelligence and past experience of the engineers responsible for the work. I suppose, though, that this is in a large measure not totally unlike other enterprises, except that at the outset we are dealing with something which we do not always see—and in the case of oil we never see it until it comes to the surface, which accounts for the oil industry (as far as the production end of it is concerned) being the most speculative of all businesses.

In considering the securities of mining enterprises, the investor must always keep in mind that this type of industry is essentially different from others, because as the ore or oil is extracted from the ground, the investor is that much poorer, unless it is replaced with new and equally valuable ground. Mining may be likened to a bank account: If you keep on drawing on it without making additions, you either receive a telephone call or the account is closed. In other words, we are dealing with a wasting asset, so that the basis of all security behind a mining share is the quantity of material available; that is, the life of the deposit. Whether one is dealing with a mine or a fraction of a mine, i. e., a share, the calculation is the same. The natural inquiry is, can one in advance determine how much tonnage of ore or how many barrels of oil exist in any property? The answer to this question is very definitely in the affirmative, if the property is sufficiently developed. There are, however, many stages leading up to this period of life of a property which much first be considered, because it is not always a property which has proven reserves that interests investors.

Those having the destinies of a min-

Written for Investors in Mining Securities Just After the Discovery of America

(By Georg Agricolla 1490-1555)

Translations from Latin by Herbert Hoover and Hon. Henry Hoover

"SOME owners prefer to buy shares in mines abounding in metals, rather than to be troubled themselves to search for the veins: these men employ an easier and less uncertain method of increasing their property. Although their hopes in the shares of one or another mine may be frustrated, the buyer of shares should not abandon the rest of the mines, for all the money expended will be recovered with interest from some other mine. They should not buy only high priced shares in those mines producing metals, nor should they buy too many in neighboring mines where metal has not yet been found, lest, should fortune not respond, they may be exhausted by their losses and have nothing with which they may meet their expenses or buy other shares which may replace their losses. This calamity overtakes those who wish to grow suddenly rich from mines, and instead, they become very much poorer than before. So then, in the buying of shares, as in other matters, there should be a certain limit of expenditure which miners should set themselves, lest blinded by the desire for excessive wealth, they throw all their money away. Moreover, a prudent owner, before he buys shares, ought to go to the mine and carefully examine the nature of the vein, for it is very important that he should be on his guard lest fraudulent sellers of the shares deceive him. Investors in shares may perhaps become less wealthy, but they are more certain of some gain than those who mine for metals at their own expense, as they are more cautious to trusting to fortune. Neither ought miners to be altogether distrustful of fortune, as we see some are, who as soon as the shares of any mine begin to go up in value, sell them, on which account they seldom obtain even moderate wealth."

ing property in charge must, of course, keep a close eye on the balance sheet, but the investor should not purchase a share merely on the basis of a favorable balance sheet, for without additional information, he may be misled. There are companies presenting strong statements showing no debts and considerable in the way of cash and cash assets on hand; a good production record averaging a high output over a period of years, as well as an excellent profit record, past and current. It would not be unusual to find the ratio of net current assets to current liabilities of 8 or 10 to 1. The stock may be paying a dividend yielding a satisfactory return on the market price of the shares, quite in keeping with the average investor's expectation. Despite the foregoing financial status, there are instances where shares are selling much too high, due to the fact that the ore reserves are limited. Let us assume there are one million shares outstanding, selling for $20 and paying a $2 dividend and that the company has cash and cash assets of, say, $5,000,000. The company is then selling for $15,000,000 — on the assumption that the shareholder eventually gets the cash or its equivalent. It is also accepted in the foregoing that the plant has substantially no salvage value, which is usually the case when a mine is depleted. If the average annual profit is hypothetically $2,000,000, then the operation would have to continue for approximately seven and one half- years for merely the return of capital. It is obvious that if one purchases these shares for $20, he will get his money back but no interest or profit, from the present known assets of the company.

Endeavor will be made to set out the normal way in which a mining company is financed from its inception, and while the desire does not exist to discourage too much from investing in mines, it might be of interest to know that usually it takes five to ten years from the time an important deposit is discovered to the time the property is equipped and paying dividends. I will later give a few examples of specific experience in this connection.

Before a property arrives at the point where quantity can be determined, much takes place and years of prospecting has been done. Those who finance the prospecting stage are fully aware of the risk they are taking, and, of course, in no sense is a property in this stage ever considered an investment proposition. Usually local people finance the early stages of a mine but, sad to relate, the original discoverers and the original parties who finance, seldom make much out of it, and this is so because they are too optimistic and underestimate the cost of carrying on with their limited resources; so that it is not long before outside capital has to be sought.

Originally the discoverer stakes out claims, which must be of a certain regulation size, and maintains title thereto by giving the Government evidence annually of having done a certain amount of work. If the local people who have formed a syndicate find that they cannot carry on, they naturally communicate with friends in the cities, not infrequently stock brokers, and it is at this stage of a new enterprise that a great deal of harm is often done. The public is loath to purchase mining stocks where all the difficulties and contingencies are set forth. Flamboyant statements and prognostications impossible of achievement (simply flights of the imagination) bring about market valuation of shares which at the outset spell loss. If we in the industry could direct a good part of the money, so fruitlessly provided, to intelligent exploitation, the problems of many deposits, which lie dormant because of certain known inherent technical difficulties, would be possible of solution, but the lure of the prospectuses is so great that they are often irresistible to the uninitiated, and, so, much money is flittered away. It is surprising how some of the most intelligent people fall for mining prospectuses of the doubtful type. Not long ago a firm of bankers surprised several experts whom they they had in the past employed and from whom they were seeking advice about a mining property in which they had already invested considerable money and of which they had previously told these experts nothing. When asked why they had kept the matter secret, when now it looked as if their money was gone, they stated that at the time they went into it, they did not inform the experts because they knew if they did they would be discouraged from investing. This is another form of what is now known as "B. U," (Biological Urge). They also said, very truly, that if they knew as much about businesses other than their own, as they did about *their* business, they probably would never go into anything.

It really seems destined that mining properties should go through this stage—where so frequently they are exploited by parties having little knowledge of mining or by financial interests of weak resources, because many prospects would lie idle if it were not for the optimism that these people possess. Hardheaded, calculating folks in the industry would never touch some of the showings where "angels fear to tread." There have been instances, however, where such enterprises have later developed into important properties—call it luck or what you will, and it is the legend of these few which keeps up the prospector's courage, quite as the golfer who feels he will play the next hole better—no matter how poorly he, shall I say, *executed* the last one.

Let us assume now that several hundred feet of development work has been done; possibly some boring with the diamond drill, and that the showing underground is good, but perhaps not good enough to warrant the expenditure for necessary equipment. The ore, insofar as it has been developed, appears of workable width and the analyses of such tenor as to war-

(Please turn to page 910)

Seven Profit Opportunities in Old Companies Entering New Fields

Stewart Warner — Mathieson Alkali — Timken Roller Bearing
American Car & Foundry — Postum Cereal — International Paper — Bethlehem Steel

1. International Paper Company

A Remarkable Transformation

New Blood in the Management Transforms a Struggling Industrial Giant Into a Vast Hydro-Electric Enterprise

MORE aggressive management, with a vision unlimited by lack of financial resources and supplemented with a genius for organization, in a few short years has transformed the International Paper Company from a struggling corporation, with vast assets but a limited and erratic earning power largely derived from the manufacture of paper in the United States, into the largest and lowest cost maker of paper in the world with operations centered in Canada and the world's largest factor in the production of electric current from falling water. While many of the new paper producing and hydro-electric properties have yet to be established as big earners, and profits applicable to the company's common stock still are small, the magnitude of the enterprise, the manner in which it has been financed, and the splendid geographical, financial and industrial distribution of risks attained, combine to assure stockholders a remarkable future for an investment which four or five years ago was highly speculative in character.

As late as 1920, International's operations were confined largely to New York State and New England, and the company was primarily and fundamentally a producer of newsprint—engaged in a business annually growing more speculative and more difficult. Today, it controls newsprint mills in Canada and Newfoundland capable of producing something like 1,600 tons a day, something more than 10,000 square miles standing pulpwood to supply them with raw material, owns a hydro-electric system with 800,000 h.p. which could be increased to 1,600,000 h.p., controls retail distribution of electric current throughout a large part of Ontario, Quebec, Massachusetts, Vermont, Rhode Island and New Hampshire, and owns 45% of the common stock of the New England Power Association with a developed hydro and steam generating capacity of 550,000 h.p. The paper producing properties in the United States have been expanded and revamped so as to give the company a diversified output of wrapping, bag, writing, book and kraft products. The transition has been swift and has been accomplished without over-mortgaging assets in such a way as to undermine credit or to militate against future financing. In the midst of it, the common stock has been placed on a dividend basis after being out of the dividend-paying ranks for more than 25 years.

A short summary of the Canadian power properties is of interest. The newly organized Canadian Hydro-Electric Corporation, all the common stock of which is owned, controls the Gatineau Power Company, Gatineau Electric Light Company and St. Johns River Power Company. Gatineau Power has two plants on the Gatineau River, near Ottawa, delivering power; and by midsummer will have completed a third unit generating in the same section. The three plants have a designed generating capacity of 530,000 h.p. of which 80% is to be installed forthwith. Gatineau holds many other undeveloped sites. Gatineau Electric Light serves a population of 200,000 in Ontario and Quebec, obtaining the greater part of the current it distributes from Gatineau Power and owning a number of generating properties itself. St. Johns River Power owns the biggest hydro-electric development in the Maritime provinces at Grand Falls. The Gatineau properties, the Dominion government permitting, could be hooked up with the New England Power Association system, and the New England Power system already is hooked up with the parent company's Hudson and Saranac River developments which

(*Please turn to page* 893)

"A Natural Resource Empire"

International Paper and subsidiaries control more developed and undeveloped hydro-electric generating capacity than does any other American corporation.

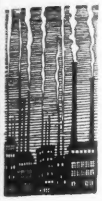
It owns, leases, or holds under Crown grants, standing timber and wood covering an area as large as Massachusetts, Connecticut, New Hampshire and Rhode Island combined.

Its Three Rivers mill consumption of pulpwood (only one of its paper operations) annually consists of a pile four feet high and four feet wide extending from the mill to New York City.

It owns properties in Newfoundland, Ontario, New Brunswick, Quebec, Ontario, New York, New England, and Louisiana.

Capitalizing the Trend Toward Motor Transportation

Enters the Bus, Gasoline Motor and Gasoline Rail-Car Field



THE statement that American Car & Foundry Company "now manufactures directly or through subsidiaries every means of transportation except roller skates, perambulators, scooters and airplanes" may be a little too sweeping; but the organization in late years has become much more than a maker of freight cars and equipment accessories. Controlled or entirely owned subsidiaries make motor-driven rail cars, passenger buses, bus motors, motor boats, airplane engines, carburetors, high grade carved wood products, passenger cars, trolley cars and a number of other special products; the company is understood to own upwards of one-seventh of the common stock of American Locomotive Company, owns the entire capital stock of a tank car operating concern, and is the sole owner of the American Car & Foundry Securities Corporation. It stands, therefore, as an equipment company with a highly diversified business, and controls a number of new ventures which already are profitable and which have most interesting long pull possibilities.

Two of the company's most promising new ventures are in the automotive industry. One, the Carter Carburetor Company, produces a device which is standard equipment on many makes of automobiles, and already is operating at a satisfactory profit. The other is the controlling stock interest in the Brill Corporation, which, in turn, controls 90% of the capital stock of J. G. Brill Company, one of the older manufacturers of street railway equipment, controls a majority of the common and preferred shares of the American Car & Foundry Motors Company and owns over 90% of the capital stock of Fageol Motor Company of Ohio. In addition to owning an important bus motor and gasoline rail-car business, American Car & Foundry Motors owns all the capital stock of the Hall-Scott Motor Company of California. Fageol Motor Company of Ohio owns the manufacturing rights for the Fageol line of buses east of the Rocky Mountains. The most productive of these new operating subsidiaries and sub-subsidiaries evidently is the J. G. Brill Company, which in 1927 earned $1,036,000. The most productive of all the subsidiaries, however, seems to be American Car & Foundry Securities Corporation, an organization which played an important part in enabling the company to show its common dividend earned in the first half of the present fiscal period (to end April 30th).

It is impossible to show the influence of these subsidiaries on the earnings of the parent company for two reasons: (1) the income account does not segregate income from investments and income from operations, and (2) only income actually collected by the parent company as dividends is included in the income account, while most of the new companies are paying out in dividends only a small part of actual profits. It may be said, however, that so far as the older car manufacturing lines and the Securities Corporation apparently has borne the brunt of the common dividend burden. Even Carter Carburetor Company, the most advanced new subsidiary, is paying no dividends out of its substantial profits. Benefits to American Car & Foundry common stockholders are in the future.

It may be helpful to view American Car & Foundry Company as a unit in the car manufacturing and equipment accessory trade, and owning around 100,000 shares of American Locomotive common, all aside from these new lines in which there are longer range possibilities. It is the largest manufacturer of freight cars in the United States, having a capacity to produce 125,000 units per annum, has paid dividends on the common stock in all but two of the past 29 years, has a net working capital of over 40 million dollars, of which some 27 million dollars is in cash and cash equivalents, and has no funded debt outstanding ahead of the 300,000 shares of $7 preferred and 600,000 shares of common issued. Net earnings for the past ten years have averaged close to $10 a share on the common stock now outstanding, and even in the year to end April 30, 1928, an abnormally poor period in the equipment trade, the common dividend of $6 a share probably will be earned without including in the income account the undivided profits of the new subsidiaries above mentioned.

The company, reckoning the preferred at 133 and the common at 107, is selling in the market for $104,100,000. Computing holdings of American Locomotive at a market value of $10,000,000 (it never has been stated just how much of this stock is owned at a cost of about $60 a share), miscellaneous securities (to be conservative) at $2,000,000, the investment in the Brill Corporation at roughly $7,000,000, working capital other than investments in the securities of other corporations at $34,000,000, the company's plants, good will, the investment in Carter Carburetor, in the tank car operating company and other miscellaneous assets, are selling in the market at about $51,000,000. The balance sheet carries the plant account at $72,000,000.

The $6 dividend rate on the common stock seems to be very well protected. Due to a moderate recovery in car buying lately, it probably will be earned in the current fiscal period. A $10,800,000 dividend reserve set up during the war never has been touched, holdings of cash and government securities at the end of last year stood at over $21,000,000.

The dividend is so adequately protected and the company's business now is so well diversified that no substantial decline in this well seasoned investment issue seems probable. The yield offered by the stock at current prices is generous, and longer pull possibilities are of an attractive order.

Earnings, Working Capital and Range of Stock

Year Ending April 30	Earned Per Common Share	Paid in Dividends Per Common Share	Net Working Capital	Range* Common Stock	
1921	$10.75a	$6.00a	$37,544,510	75⅞a	57⅞a
1922	7.48a	6.00a	37,583,668	100½a	70½a
1923	6.85a	6.00a	36,633,889	94½a	74½a
1924	7.00a	6.00a	36,579,332	100⅛a	76¾a
1925	6.77	6.00	37,106,567	115¾	97½
1926	6.67	6.00	40,882,757	114⅞	91⅛
1927	4.16	6.00	40,724,076	111	95
1928	6.00c	6.00	Not available	111½b	105b

* Calendar years. a Old stock translated to basis of present shares. b To February 16. c Estimated.

A Monument to Progressive Management

Common Shareholders Beginning to Reap Fruit of Well Directed Reconstruction

MATHIESON ALKALI'S transformation from a retrogressive old line chemical company to a progressively modern industrial bears high testimony to the effectiveness of alert management. Its rescue from threatened descent to obscurity was effected by well directed internal development rather than by external expansion and by a shift from unprofitable lines to lucrative fields of endeavor without departure from the industry in which the company has been engaged since inception 36 years ago. It has not ventured outside the chemical business to regain a "place in the sun" but has depended for recovery on the program of rejuvenation adopted with advent of the present management in 1921.

Plodding stolidly along as a manufacturer of heavy chemicals, Mathieson established a record avoiding complete mediocrity only by a temporary flash of high earnings during 1916-1917. About this time, changes in the chemical industry began to tell and its earning power went into a decline that persisted until aggravated by the industrial deflation of 1921.

At this point, the present management took control and promptly inaugurated reforms designed to completely remodernize and maintain the company as an efficient and up-to-the-minute manufacturing enterprise. The readjustment involved a comprehensive scheme of improvements to existing production facilities. It subsequently broadened to include the acquisition of a new producing unit at Newark, N. Y., in 1922 and in 1925 the acquisition of extensive salt deposits from which Mathieson derives a large share of its basic raw material.

By-products Utilized

Intensive effort has been directed toward bringing the Niagara Falls, N. Y., and Saltville, Va., works to a state of high operating efficiency. Reconstruction has been carried on without interruption to the business of the company and almost entirely out of earnings, these being no mean achievements in themselves.

The works at Niagara Falls are principally engaged in producing liquid chlorine, a product that has taken the place of bleaching powder in the paper and textile industries. Mathieson is the world's largest manufacturer of this chemical, which is also widely employed in modern crude oil refining processes. Incidental to the development of this chemical, the company evolved a patented, multiple unit tank car, designed to permit the economical transportation of its output.

At the same time, noteworthy strides have been made in utilizing by-products, especially hydrogen which is now employed in the manufacture of synthetic ammonia. By thus diverting what were formerly waste products, the management has provided additional sources of revenue at very low cost. Facilities for making ammonia sulphate and ammonia phosphate are offshoots of this policy, these items being manufactured to utilize the residue of ammonia not readily marketable in other channels.

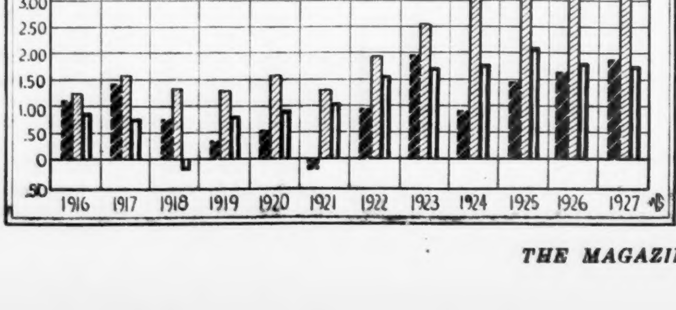
Reconstruction activities at Saltville, intended to accomplish a like balance of production, have been spread over a longer term than at Niagara Falls and probably will not be completed until the end of the current year. In both cases, however, the expenditures made on these plants have been reflected in a steady appreciation of earning power, net income being equivalent to $11.27 a share for the common stock last year, compared with $10.22 in 1926 and $8.76 in 1925. An even more satisfactory showing might have been made except for the company's rather liberal depreciation policy, such write-offs, together with depletion allowances on raw material deposits, approximating 30% of the annual income, or more than $5 a share.

Meanwhile, the company has guarded against a repetition of the pre-1921 experience by setting up a well organized research department to promote development of new products and as assurance against revolutionary changes in the industry. The plant at Newark, N. Y., is particularly active in this respect and specializes in the production of fine chemicals. The addition of the latter line has been an important factor in accomplishing diversification of output.

Market Outlook

Only one departure was made in the policy of financing plant renovation out of earnings. In 1925, common shareholders purchased 23,543 shares of stock offered at $45 a share. Common capitalization was thus increased to 147,207 shares of no par value. The only obligation prior to this issue is the 2.47 million dollars of 7% preferred which is gradually being retired through sinking fund operations.

The common stock has already participated in the company's improved fortunes to a fair extent, dividends having been resumed at the rate of $4 a share in 1925 and the rate increased to the current $6 last January. It does not appear probable that any further change will be made in the near future so that the common stock at prevailing prices around 123 has no great appeal for immediate income return, the yield being only 4.9%. *For the investor who is willing to exercise patience during a term of further development, however, Mathieson Alkali may be regarded as a desirable commitment, well worth acquiring in periods of price reaction.*



Earning Power Stabilized By Diversification

Common Stock Losing Former Speculative Characteristics —Strengthening Financial Structure and Trade Position

THOUGH Stewart Warner may still be considered essentially an automotive accessory manufacturer, its status has changed appreciably within recent years. Both from trade and stock market viewpoints, the company's position appears to have been freed from the extreme susceptibility to fluctuating fortunes of the motor industry which is so characteristic of the average accessory producer.

Profits in Every Year

True, even as a purely automotive parts maker, the company made an enviable record in former times, never having experienced an unprofitable year. Earnings appear to be stabilizing, however, and while net balances of $8.42 a share in 1926 and $8.68 a share for the common stock last year were well under the high levels of periods like 1922, 1923 and 1925, the later showing has gained in consistency what it may now lack in the way of spectacular performance. Some of the old-time speculative flavor apparently still clings to the shares since they sell on a relatively higher yield basis than the average industrial. Doubtless this condition will be remedied in time as the company's present day position comes to be more generally appreciated.

External as well as internal changes in the character of operations have been responsible for the company's di. ɔrcement from too close dependence upon motor industry prosperity. Its scope in the accessory field has been broadened by the development and manufacture of various products, supplementing the original vacuum tank and speedometer business. Thus, the company now manufactures bumpers, shock absorbers, windshield cleaners, horns, car heaters and the like. Diversification in these respects has the obvious advantage of cutting away restrictions imposed upon smaller companies, whose livelihood hinges very largely upon maintenance of favorable contract relations with a limited clientele of automobile manufacturing companies.

Acquisition of the Bassick-Alemite company in 1924 was a long step in the direction of diversification. The latter organization, in addition to its importance as a maker of automobile hardware, also finds a market for its products outside the motor industry. Production includes the manufacture of furniture trimmings and furniture hardware and sundry other specialties. The most important branch of the Bassick division's activities, however, comprises the making of Alemite and Alemite - Zerk lubricating systems. While these are probably best known to automobile owners, the company has developed a growing market in other industries, notably in the application of these systems to locomotives and railway signals. The sale of specially prepared lubricants in this connection has assumed considerable volume.

A Radical Departure

The most radical departure from original operations came with Stewart Warner's venture into the radio business. This step probably has not resulted in material gain to the company as yet, owing to the rapid changes that have occurred in the very youthful radio industry. In the course of time, it is probable that this division will assume a position comparing favorably with the more solidly established lines of manufacture.

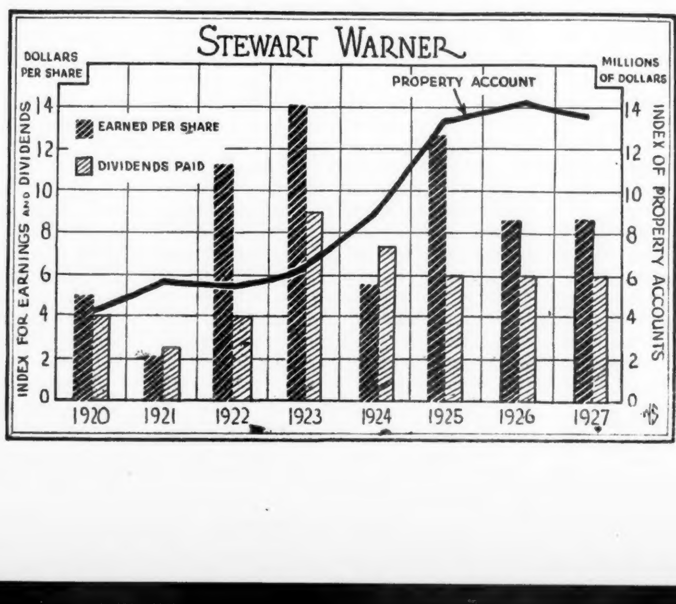
The die casting division, established primarily to supply the company's own requirements, has discovered an outside market for its output in connection with the manufacture of articles of household use and office equipment.

Like other forward looking corporations, Stewart Warner maintains mechanical and engineering staffs whose function is to conduct experimental and development work in its laboratories and on the road so that new devices may be perfected for adoption into its manufacturing lines. Recent additions to its products as a consequence of such research work include cigar-cigarette lighters, metal polish for automobile and home use and an automobile body polish.

Steady Improvement in Financial Position

Concurrently with the strengthening of the manufacturing branches of the business, Stewart Warner has steadily improved its financial position. Despite the obvious value of good-will, this item was written down from 8.29 millions to the nominal value of $1 in 1925. With payment of $875,000 Bassick-Alemite 7% notes on February 1, this year, the last of the obligations incurred through absorption of that company was eliminated from Stewart Warner's balance sheet. The company now has no funded or floating indebtedness and no preferred stock ahead of the 599,000 shares of no par common.

Working capital at the close of 1927 stood at 11.91 million dollars, somewhat under the record high of 1926. Cash and marketable securities were in excess of 4.51 million dollars, being more than double all current liabilities. The company is thus well situated to maintain the present $6 dividend on the common stock, which at current levels around 80, still affords the relatively attractive yield of 7.5%. *A recession of price from these levels would render the issue a particularly desirable purchase, especially in view of the prevailing trend of automobile production.*



Enters Railway Equipment Field

Possibilities in New End of Business—Stable Record and Sound Management—Prospects for Stock

Timken Roller Bearing

	Manufacturing Profit (millions)	Net Income (millions)	Share Earnings	Dividends Paid (millions)	Price Range High	Price Range Low
1922	$10.9	$7.7	$6.20	$2.4	35	28
1923	12.5	8.1	6.75	4.2	45	33
1924	9.6	5.8	4.84	4.8	41	31
1925	12.5	8.1	6.73	4.8	59	38
1926	14.3	8.5	7.05	5.4	85	45
1927	15.0	9.6	7.95	6.0	142	78

Recent Price, 115

ALTHOUGH generally classed in the motor vehicle equipment group, the Timken Roller Bearing Co. has always been noteworthy for a greater stability of earning power than is possessed by the great majority of companies in that particular field. Aggregate volume of business for the industry in any one year is altogether dependent upon the state of demand from an industry itself highly irregular, and, as far as the individual companies are concerned, there is the uncertain element as to the time at which one or more profitable contracts may expire, entailing the possible diversion of business to some competitor or perhaps to the automobile manufacturers themselves in cases where it has been found advisable to create facilities for supplying a certain portion of the necessary equipment direct.

Timken Roller Bearing has been to a considerable extent free from the uncertainties affecting both the individual companies and the industry as a whole, first, because of its virtual monopoly in supplying a highly important product to the automobile trade, and, secondly, owing to the steady adaptation of this product to other industries, the increasing demand from new sources being extremely useful in taking up the slack during periods when automobile production is not up to standard.

The Latest Product

Expansion of markets until fairly recently was mostly along the lines of developing the roller bearing for use in industrial machinery of many diverse types, but the innovation which offers the greatest appeal to the imagination and the most spectacular possibilities for the future is the adaptation of anti-friction bearings for installation on railroad cars. If adopted on any considerable scale for this purpose, obviously a tremendous field for new business will be opened up which would naturally act as a powerful stimulus to increased profits in the years to come. The actual effect on profits up to date is negligible. The product has been under a long period of development and commercially it is still in its early stages. It is definitely in operation on one of the through trains of the Chicago, Milwaukee, St. Paul & Pacific system, and, while orders from other railroads are fairly numerous, so far they are largely for test purposes.

Any general adoption of roller bearing equipment by railroads will necessarily be a gradual development similar to the substitution of steel for wooden passenger cars, but there is reason to believe that the effects of the former will be even more far reaching and certainly of far greater importance in respect to day to day operation. There has never been much question of the advantage possessed by anti-friction over friction bearings for railroad cars if the necessary durability could be provided, and, from all appearances, this has now been accomplished. In addition to easier riding, the tremendous reduction in train resistance is productive of very marked operating economies, particularly as regards the greater number of cars that can be hauled by a single locomotive. Roller bearing equipment then should have the virtue of more than repaying its initial cost within a comparatively short time. Although discussed so far principally in connection with passenger cars, it likewise has been adapted to railroad freight cars through the development of a new type of inboard truck, although this is likely to be slower in realization of its commercial possibilities.

Expansion of this character on the part of a company already strongly entrenched obviously has more substance and inspires more confidence than in the case of an enterprise more or less unseasoned or which has yet to demonstrate an adequate earning power in its original field of activity. The reputation for judicious management in the past goes a long way in providing assurance as to the fundamental soundness of contemplated activities along new lines. Although the shares were first offered for public participation only in 1922, Timken Roller Bearing has a record of successful operation since 1904, and in all except two of the intervening years has paid dividends on its common stock.

Capitalization

The common stock for many years has comprised the sole capitalization, being outstanding at this time to the extent of approximately 1.2 million shares of no par value out of 1.25 million authorized. In spite of the increase in share capital incident to public participation in 1922, a substantial proportion of the total, amounting to well over 50%, has remained in the hands of interests closely identified with the management, the small floating supply being a material factor in the ease with which the stock at various times last year responded to the future outlook for expansion in earning power.

There have been no dividend changes as yet to conform to the higher levels prevailing for the shares in the market during recent months. The company habitually disburses an extra dividend aggregating $1 per share annually over and above its basic rate of $4, which was increased from $3 in 1926. The working capital position is of such strength that ordinarily it is feasible to pay out the greater part of earnings in the form of cash dividends, but the present expansion program, principally in connection with the development of railroad business, entails unusual expenditures in respect to increased plant facilities and advertising appropriations, so that the question of a more liberal return is not a factor for immediate consideration.

Timken Roller Bearing reported earnings for 1927 equivalent to $7.95 per share. The return of Ford to active production should provide an impetus to 1928 income with regard to increasing business expected from sources other than motor car manufacturers.

The action of the shares is erratic and in the present unsettled condition of the general market they are hazardous for short term speculative purposes, but from the longer-range investment standpoint they appear to be among the most promising issues of this type now available.

6. *Postum Cereal Co.*

Profitable Program of Expansion

Company's Policy of Absorption of Other Companies Has Worked Out Well—Market Outlook for Shares

THE present Postum Company, Inc., with a gross annual business of between 70 and 80 millions, is the outgrowth of a modest business in the manufacture and sale of a coffee substitute under the name of Postum, established in 1895 by C. W. Post. Shortly afterwards the same concern developed one of the original ready-to-eat breakfast cereals, Grape-Nuts, which was the forerunner of a wide variety of dry cereals subsequently placed on the market. The enterprise was first incorporated in 1916 and passed to active public participation six years later. Recent years have witnessed a high degree of prosperity in conjunction with a comprehensive program of expansion which has converted the company from a manufacturer of cereals primarily into one of the outstanding leaders among producers of food specialties of various descriptions.

Postum Cereal

	Sales (Millions)	Net Income (Millions)	Cash Dividends Paid on Common (Millions)	Cash, Call Loans and Securities (Millions)	Net Working Capital (Millions)
1922	$17.9	$2.5	$0.7	$1.6	$3.3
1923	22.2	2.9	1.1	2.6	4.5
1924	24.2	4.1	1.6	2.9	4.9
1925	27.4	4.7	1.6	3.9	8.1
1926	46.9	11.3	6.7	4.4	10.2
1927 (9 mos.)	53.4	10.2	NF*	5.9	16.0

* Not yet available.

Absorption of Other Companies

Expansion has been both from within and from without. The company is not only continually developing new products in its own laboratories, but, in the last two or three years especially, has absorbed numerous old established food concerns, applying its own marketing methods to the products thus acquired. Among those taken over since the fall of 1925 are Jell-O Co., Inc., Igleheart Bros., Minute Tapioca Co., Walter Baker & Co., Franklin Baker Co., Richard Hellman, Inc., and Log Cabin Products Co. The line of products now includes coffee substitutes, various kinds of cereals, Jell-O, cake flour, tapioca, cocoa, chocolate, mayonnaise and syrup, all in the form of specialties sold under recognized trade names. In addition, an arrangement has been entered into whereby the facilities of Postum Co. are to be used for the distribution of Sanka decaffeinated coffee. Indications point to further acquisitions along these lines as occasion warrants. About two years ago a merger with California Packing, one of the largest and strongest of the fruit and vegetable packers and canners, was on the verge of being consummated, but negotiations fell through at the last minute. Whether further attempts will be made to bring this about cannot be predicted, but the event serves to illustrate the ambitious plans which the Postum Co. had in view.

This acquisition of going enterprises has involved no new financing but has been accomplished for the most part through exchange of Postum Co. common stock for the subsidiary securities, a fact which, together with a two for one splitup, accounts for the substantial increase in the outstanding shares during recent years. The company is remarkably successful in bringing about, without loss of time or efficiency, the proper coordination and unification of its own activities with those of the concerns taken over. Under similar circumstances it often requires time to make the necessary adjustments and to realize the economies to be logically expected from the elimination of duplication in many directions and centralized sales effort. Postum's distributing system seems to function like a well oiled machine and to adapt itself readily to a suddenly enlarged scale of operations. No doubt further benefits along these lines will be realized as time goes on, but the steady gain in share earnings in the face of frequent increases in the number of outstanding shares shows how effectively the additional shares created have brought proportionately greater returns. The extent to which expansion can bring in larger returns in relation to the capital so employed is a measure of genuine progress.

No Funded Debt

Postum has but one class of stock consisting of approximately 1.7 million shares of no par value out of 2 million shares authorized. There is no funded indebtedness, and the preferred stock formerly existing was retired in full in 1925. Earnings for 1927 at this writing are not as yet available but will probably be shown to have amounted to about $8 per share, well in excess of the current $5 annual dividend rate. Indications point to an increase in the dividend to $6 before the close of the year. The consistently strong financial position maintained permits a fairly liberal dividend policy, although increasing amounts have been retained in the business in each of the last five years. This balance after dividend disbursements in 1926 was equal to nearly 4.6 millions as against a maximum of 3 millions in any year prior thereto. In all likelihood it was not far from 6 millions in 1927.

The real progress of the company has been somewhat obscured by the frequent changes in the size of the capitalization. For instance, even on the basis of the present dividend rate, shareholders are now receiving a return two and a half times as large as that obtained less than three years ago. Estimated net income for 1927, if applied to the number of common shares existing during the greater part of 1925, would be equivalent to more than $35 per share, as against actual earnings in that year of $11.46 on the same basis. The trend of net working capital at the close of each year shows the same uninterrupted upward movement that is in evidence in the income account.

Postum is a company whose status is based on earnings rather than asset value. Net tangible assets behind the common stock have increased more than sixfold since 1922, but on a share basis are still but a small fraction of the market valuation. Selling at 120, about 14 times its current earning power, the stock on the surface is not a bargain, but, on the other hand, it is not unduly high in comparison with issues of other companies showing a similar rate of growth. ***Progress in the next two years anything like that attained since 1925 should be reflected in materially higher prices before the***

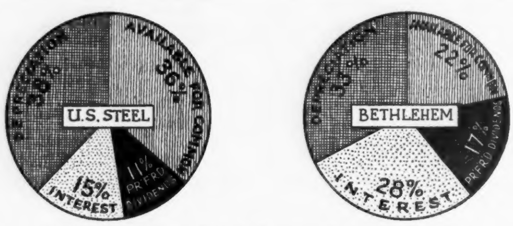
Note—Final earnings for 1927, received too late to be embodied in this article, are equivalent to $7.92 per share, including profits of new subsidiaries for entire year.

7. Bethlehem Steel Corporation

Ready to Show True Earning Power

Completion of Expansion Program and Company's Stronger Price Policy Point to Possibility of Resumption of Common Dividends

AFTER many false starts the Bethlehem Steel Corporation seems destined in the present year to demonstrate its true earning power. Five years have elapsed since its absorption of Lackawanna and Midvale, and during the latter four of these the common stockholders have received no return on their investment. In the meantime, however, the company has been making broad strides. Approximately $20 a share has been added to the book value behind the common, production facilities have been rounded out into an harmonious unity, the company has set in shape its financial structure, and in every year it has shown its preferred dividend requirements covered by a fair margin. The time has come for the common stock to share in the benefits of the past year's work, and circumstances at last seem ripe for a demonstration of the company's true strength.



Distribution of Total Income by Bethlehem and U. S. Steel in 1927

Tremendous Building Program

Only $5.02 a share was earned on the common stock in 1927, a sizable reduction from the $7.48 a share earned in the preceding year. This was particularly discouraging because of the confident predictions in respect to early resumption of common dividends which were made last year. Its failure to go on a dividend basis is explained by the decline in earnings. However, these facts are ancient history. They represent water over the dam. The price of the stock in coming months and the decision of directors in regard to common dividend resumption will be governed not by the company's failure to fulfill expectations in 1927 but by its accomplishments and outlook for 1928.

The history of the present Bethlehem Steel Corporation, to speak exactly, dates from 1923, when its productive capacity was more than doubled by the absorption of Lackawanna (latter part of 1922) and Midvale and Cambria (early 1923). A tremendous building program was undertaken at that time in order to coordinate the production facilities of all the plants going to make up the new Bethlehem. That program is only now reaching its completion. In the matter of expansion, ingot capacity has been increased from 7,600,000 tons annually to 7,900,000 tons. This, however, has not been as important as the providing of additional facilities for the manufacture of finished steel products at those plants where existing facilities were insufficient to utilize fully the steel ingot capacities. A large wire mill has been built at Buffalo at the company's Lackawanna plant, and a great pipe mill has been completed at its Sparrows Point, Maryland, plant. The former has been in production for some time, but the latter will get into sizable production for the first time during the present year. Naturally this will have the effect of producing a new source of revenue.

Important as these additions have been to the corporation by rounding out its manufacturing facilities so that it can supply every type of steel product, even more important have been the company's accomplishments in effecting reductions in production costs. Finished steel is being produced today at a cost averaging more than $7 a ton under four years ago. According to a statement by the president, Eugene G. Grace, the construction program has been responsible for a reduction of $7.27 per ton in the average cost of producing finished steel products shipped in 1927 as compared with 1923. The tremendous importance of such an accomplishment may be appreciated when the company's finished steel capacity of well over 4,000,000 tons a year is taken into consideration.

Suffered From Low Prices in 1927

Over $135,000,000 has already been expended on the construction program. At the end of last year further expenditures of only $13,850,000 remained to be made in order to complete it, thus indicating that the work is practically finished. Indeed, the comparatively small 1927 expenditures of $30,530,000 for additions and improvements would seem to indicate that the bulk of the work had been finished prior to last year and should, therefore, have had a more beneficial effect on 1927 earnings than it apparently

Total Income and Its Use by Bethlehem Yearly Since 1923

	1923	1924	1925	1926	1927
Total Income	$37,373,228	$33,996,489	$38,988,742	$45,405,253	$40,378,899
Depreciation	10,676,078	11,846,891	12,004,984	12,626,665	13,096,496
Interest charges	12,322,998	13,233,417	13,125,562	12,532,421	11,456,261
Preferred dividends	4,318,253	4,300,583	4,303,073	6,778,855	6,790,000
Available for common	10,055,899	4,615,598	9,555,123	13,467,312	9,036,142
Per share on common	$6.46	$2.56	$5.30	$7.48	$5.02

did. Special circumstances, however, arose last year in the form of extraordinarily low prices for steel products, and thus the company was effectively prevented from showing its true strength.

The low prices prevailing for steel in 1927 resulted in average billings of the company for the year being $1.87 a ton under 1926, according to Mr. Grace. Since the weakness in prices did not become marked until the second half of the year, it is evident that prices received during the last six months, when the company was making its poorest showing, were probably fully $3 to $4 a ton under 1926.

Company's New Price Policy

After all, however, it's an ill wind that blows nobody good. The very severity of the decline in prices has been of itself something of a stimulant in bringing about in the last two and a half months a satisfactory advance. The unexpectedly sharp pick-up in steel demand has, of course, helped materially. Prices of steel products have not all advanced proportionally, some scarcely at all as yet. But three of Bethlehem's principal products, shapes, plates and bars, have moved up about $5 a ton above the lowest levels at which they were selling in the late summer, at which time contracts were being drawn for last quarter delivery. Wire products, tubular goods and sheets are gradually falling into line. The importance of these advances to Bethlehem can scarcely be overestimated. They will not, however, be reflected in their entirety due to the fact that many orders were taken for first quarter delivery at the old prices prevailing in December, but they will have a cumulative effect and seem bound to help the company demonstrate its true earning power during the present year.

There is another straw which indicates how the wind blows. In the middle of December Bethlehem announced its decision to establish quotations for plates, shapes and bars f. o. b. its own mills. This was a radical departure from its former practice of adhering to the traditional method of quoting prices on the "Pittsburgh plus" method. While it had no important effect in so

(*Please turn to page* 901)

THE revised Preferred Stock Guide will appear in our next issue. Subscribers with any questions to ask regarding the changes should address them to the Personal Service Department.

Preferred Stock Guide

THESE stocks are selected as offering best opportunities in their respective classes taking into consideration assets, earnings and financial condition of the companies represented.

For Income

HIGH GRADE INVESTMENTS

RAILROADS	Div. Rate $ per Share	Div. Times Earned— 5-Yr. Av'r'ge	Redeemable	§ 5-Yr. Price Range High	§ 5-Yr. Price Range Low	Recent Price	Yield %
Baltimore & Ohio	4 (N)	7.8	No	83	55	80	5.0
Chicago & North Western	7 (N)	6.2	No	150	97	140	5.0
Colorado & Southern 1st	4 (N)	8.9	100	78	47	78	5.1
N. Y., Chicago & St. Louis	6 (C)	F3.7	110	110	83	108	5.6
Pere Marquette Prior	5 (C)	10.2	100	99	67	99	5.1
PUBLIC UTILITIES							
Columbia Gas & Electric	6 (C)	S4.6	110	X110	X98	108	5.6
Hudson & Manhattan R. R. Conv.	5 (N)	5.9	No	90	43	86	5.8
North American	3 (C)	7.3	55	55	42	55	5.5
Philadelphia Company	3 (C)	6.5	No	53	41	53	5.7
Public Service New Jersey	8 (C)	3.0	No	135	95	138	5.8
INDUSTRIALS							
American Smelting & Ref.	7 (C)	3.3	No	133	93	134	5.2
American Steel Foundries	7 (C)	7.4	110	115	97	114	6.1
Associated Dry Goods 1st	6 (C)	4.8	No	112	82	108	5.6
Baldwin Locomotive	7 (C)	3.3	125	125	105	118	5.9
Brown Shoe	7 (C)	4.4	120	123	84	120	5.8
Endicott-Johnson	7 (C)	4.9	125	125	105	124	5.6
General Motors	7 (C)	12.0	125	125	79	126	5.5
Inland Steel Co.	7 (C)	F8.0	115	118	96	116	6.0
International Silver	7 (C)	2.8	No	128	92	131	5.3
Studebaker Corp.	7 (C)	26.8	125	125	100	122	5.4

For Income and Profits

SOUND INVESTMENTS

RAILROADS							
Colorado & Southern 2nd	4 (N)	7.0	100	75	35	75	5.3
Kansas City Southern	4 (N)	4.8	No	73	48	71	5.6
St. Louis-San Francisco	6 (N)	12.0	100	104	32	101	5.9
St. Louis Southwestern	5 (N)	2.6	No	94	54	92	5.4
PUBLIC UTILITIES							
Brooklyn-Manhattan Transit	6 (C)	H3.3	100	89	34	87	6.9
Continental Gas & Elec.	8 (C)	T4.0	110	H110	H94	111	7.2
Electric Power & Light	7 (C)	1.7	110	109	89	109	6.4
Engineers Public Service	7 (C)	S2.4	110	X108	X92	108	6.5
Federal Light & Traction	6 (C)	5.0	110	F100	F74	101	5.9
Kansas City Pr. & Lt.	7 (C)	T3.1	115	116	91	116	6.0
West Penn Electric	7 (C)	....	115	X110	X88	113	6.2
Standard Gas & Elec.	4 (C)	2.5	No	66	46	67	6.0
INDUSTRIALS							
American Cyanamid	6 (C)	3.6	120	98	55	97	6.2
American Metal Co., Ltd.	7 (C)	8.0	110	120	106	117	6.0
American Sugar Refining	7 (C)	1.6	No	116	77	105	6.7
Associated Dry Goods 2nd	7 (C)	6.9	No	114	84	119	5.9
Bethlehem Steel Corp.	7 (C)	3.1	No	120	87	121	5.7
Bush Terminal Buildings	7 (C)	1.1	120	120	91	115	6.1
Central Alloy Steel	7 (C)	....	110	H109	H106	110	6.4
Cuban American Sugar	7 (C)	6.9	No	107	92	102	6.9
Deere & Co.	7 (C)	F1.7	No	125	70	118	5.9
Devoe & Raynolds 1st	7 (C)	T6.1	115	113	90	112	6.3
Genl. American Tank Car	7 (C)	3.3	110	112	86	111	6.3
Gimbel Brothers	7 (C)	4.2	115	114	91	94	7.5
Goodrich (B. F.) Co.	7 (C)	3.1	125	111	67	110	6.4
Pillsbury Flour Mills	6½ (C)	....	110	‡109	‡104	113	5.7
U. S. Cast Iron Pipe	7 (N)	5.0	No	125	64	120	5.8
U. S. Industrial Alcohol	7 (C)	4.3	125	121	95	120	5.8

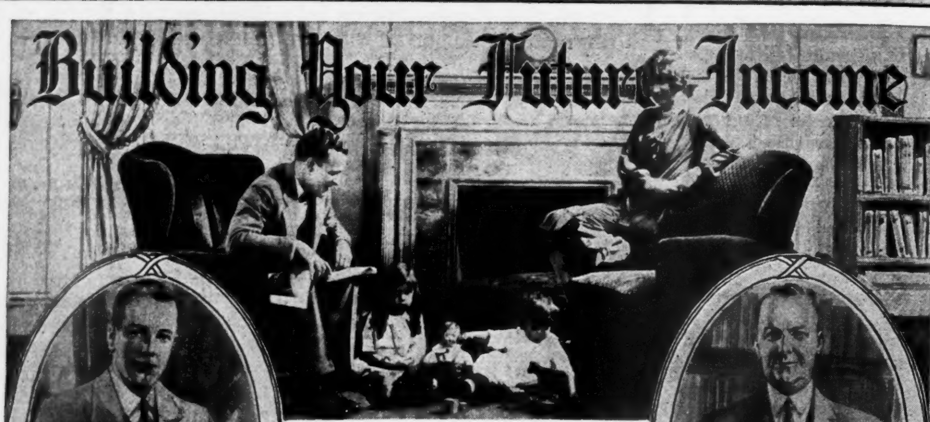
SEMI-SPECULATIVE

RAILROADS							
Gulf, Mobile & Northern	6 (C)	1.6	No	112	44	104	5.8
Wabash "A"	5 (N)	....	110	101	23	93	5.4
INDUSTRIALS							
Bush Terminal Debentures	7 (C)	T1.8	115	H111	80	111	6.3
Consolidated Cigar	7 (C)	4.4	110	107	60	103	6.8
Goodyear Tire & Rubber	7 (C)	....	....	‡98	‡92	98	7.1
International Paper	7 (C)	1.6	115	H112	H86	107	6.5
Mid-Continent Petroleum	7 (C)	8.1	120	109	80	103	6.8
Orpheum Circuit Conv.	8 (C)	3.0	110	108	84	100	8.0
Radio Corp. of America	3.5 (C)	F3.6	55	57	40	56	6.3
U. S. Smelt., Ref. & Mng.	3.5 (C)	1.2	No	53	38	53	6.6
Universal Pictures 1st	8 (C)	7.6	110	H103	H90	100	8.0
Victor Talking Machine Prior	7 (C)	S5.4	115	‡102	‡96	106	6.6

† Cumulative up to 5%. F—Four years. H—Three years. T—Two years. S—One year. X—Price range 1926. § 1923-1927. C—Cumulative. N—Non-cumulative. ‡ 1927.

EDITORIAL PAGE

Building Your Future Income



TO-DAY—The Young Executive

TO-MORROW—The Business Leader.

This department is the contribution of The Magazine of Wall Street to the financial education of the nation's present and future investors and business executives.

Through this medium we extend to our subscribers an opportunity to assist us in spreading the doctrine of safe and sound investment by using these pages as a practical guide to financial success in their own homes and offices.

Are You Entitled to Success?

THERE are probably few fields where opportunities are so wide open to everyone as in the purchase of securities for investment or profit. There are no general restrictions about investments. One need not be a member of any particular guild or association; it is not necessary to show a diploma or pass any examination. In fact, the *modus operandi* of making an investment is so simple and unrestricted that therein lies one of the greatest dangers to the unexperienced investor.

Old timers in the financial district tell a tale of past years when only a privileged few could purchase stocks or acquire a good bond. The banks frowned upon the practice of depositors using their surplus funds to buy bonds instead of keeping the monies on deposit where it was placed in business loans or investment securities under the guidance of the experienced bank officers. There was a sort of mystery thrown around the securities markets, intended to frighten away the millions of men and women who are known as the "small investor."

To open an account with any of the straight laced brokerage or investment firms meant an introduction by some wealthy relative or the "say so" of some banker friend. This kept the inexperienced investors out of the investment world. It was a bad thing for the large corporations who needed their investment funds and for the investor of moderate means who, nevertheless, required some practical medium for putting his extra funds to work, but it was a good thing in a sense, too.

The raised eyebrows and the unwelcome gestures served a very useful purpose—they made investment seem important. Nothing was taken for granted. A man who had a few thousand dollars to invest, realized that the placement of these funds was a serious matter. He made it his business to study securities and learn something about investment principles. One realized that the practice of buying and selling securities was like everything else in life—you got out only as much as you put into it.

It is so easy to make an investment today that many small investors surround themselves with a false sense of security and take the whole thing for granted. But the only basis for anticipating sound investment success, is a thorough mastery of the fundamental principles of investment and an understanding of values based on some study of the matter. Are you doing your share? Are you entitled to investment success?

"Intelligent Use of Present Income Will Assure Financial Independence."

How to Analyze Your Investment Holdings

A Series of Educational Investment Articles

American Sugar Refining Company

7% Cumulative Preferred Stock

THE American Sugar Refining Co. 7% preferred stock is one of the "old line" standard investment issues that has fallen somewhat from grace in the eyes of investors today because of erratic earnings experienced by the company during and since the war. In the absence of the company's official report for the year 1927, it is thought that profits in that year were not sufficient to cover the $5 dividend paid on the common shares. When this dividend was passed recently there was rather heavy liquidation of the preferred shares which carried down the market price to par, a level at which it has not sold since 1925 and one that was apparently unwarranted as the shares have experienced a partial recovery since that time.

The reasons officially attributed to the passing of the dividend included the restrictions imposed by the Cuban government on production and its marketing plan, which it is said tends to depress the eastern markets for cane and beet sugar. Physically and financially the company is in excellent condition. It is intimated that common dividends will be resumed when earnings improve and the artificial restrictions now influencing the outlook for the company are altered. In the meantime, there does not appear to be any likelihood of any change in the preferred dividend payments which have been maintained regularly since 1891. Only in two years since the company was formed thirty-six years ago have the preferred dividends not been earned by some margin, these being the deflation year of 1921 when profits were absorbed by post war adjustments and the year 1924 when only about $4.70 cents a share was earned on the preferred stock. On the average over the past decade, however, the preferred dividend requirement was earned more than twice over.

Prior to the war, the company accumulated a notably large and well placed investment fund out of its surplus earnings after dividend payments, the sum of close to 35 million dollars having been attained for the general investment account in 1921. At present the company's investment fund stands around 25 million dollars. In addition, it reported cash on hand and loans equal to about 45 million dollars, the total of these two items and the investment holdings being almost sufficient to pay off the company's 30 million dollar bond issue and retire its preferred stock. Although, the preferred shares show a rather wide price range for an issue of this general investment class, from the standpoint of income alone it is quite attractive and represents a most suitable investment for one who is willing to disregard the current fluctuations in market values.

BYFI'S INVESTMENT SUGGESTIONS

These investment recommendations are now a regular feature for the guidance of BYFI readers. With the original selection of each issue, safety of principal has been a foremost consideration. Each issue is watched continuously, and will be replaced at any time that it may become unfit for retention. Such changes will, of course, be brought to the reader's attention, if and when they occur.

THE FIRST $500

	Approximate Price	Yield to Maturity
Savings banks accounts are recommended for deposits of regular savings, to yield	...	4 to 4½%
Shares of well managed Building & Loan Assn. are recommended on the monthly payment plan	...	5 to 6%
Endowment Insurance is a suitable medium for the investor and yields a return of	...	3 to 3½%
*Laclede Gas Light 1st and ref. 5½s, 1953	105	5.15%

THE NEXT $1,000

	Approximate Price	Yield to Maturity
†International Mercantile Marine 1st & Coll. 6s, 1941	105	5.40%
*Montreal Tramway gen. & ref. 5s, 1955	100	5.00%
‡†N. Y. Steam Corp. 6s, 1947	103	5.34%
†Western Pacific 1st 5s, 1946	100	5.00%

$5,000 FOR INVESTMENT

	Approximate Price	Yield to Maturity
Cuba R. R. 1st 5s, 1952	100	5.00%
Shulco Co., Inc., Guar., Ser. "B" 6½s, 1946	103	6.20%
U. S. Rubber 1st 5s, 1947	93	5.60%
West Penn Electric $7 Pfd	112	6.28%
U. S. Smelting & Ref. $3½ Pfd	53	6.60%
American Sugar Refining $7 Pfd	105	6.68%

THE NEXT $5,000

	Approximate Price	Yield to Maturity
Seaboard Air Line 1st Cons. 6s, 1945	82	7.80%
Nassau Electric 4s, 1951	58	7.95%
Western Maryland 1st 4s, 1952	55	5.08%
Broklyn-Man. Tr. $6 Pfd	88	6.80%
International Paper, $7 Pfd	107	6.50%
‡American Tel. & Tel. common ($9)	180	5.02%

* Available in $100 units. † Available in $500 units.
‡ Recommended to hold only.

Looking Back Over Thirty-five Years of Successful Estate Building

A $2-a-Week Savings Plan Is the Foundation of a Notable Fortune

By J. A.

"Not for to hide it in a hedge,
Not for a trained attendant;
But for the glorious privilege
Of being independent."

AS I look back over a span of thirty-five years to the time I left a fairly comfortable farm home, I suspect the most impelling motive to accumulate, as expressed by Burns, was the purely selfish one of being independent. Afterwards, the impelling motive became bigger; far more important than merely making money. Making money became a part of a scheme of achievement, of creating, of development and of service to the community.

At eighteen years of age, when I left the parental roof and struck out for myself, I had carefully worked out a schedule of savings and investment which was to show a NET WORTH of $10,000 at the age of fifty. Fortune, however, proved kind to me inasmuch as she was favoring me at that age with an ANNUAL INCOME of many times that figure.

My first job at eighteen was with a manufacturing concern, which netted me, after paying board and lodging, $3.25 per week, of which $2 was laid aside for investment. The first investment was in a $50 United States Government Bond paying 2%. The second investment was one share of building and loan stock, and I have never been without building and loan stock since that time, in later years being president of an association with footings of a million dollars. The third investment was the purchase of one share of bank stock in the best bank in the county, buying same on credit, for which I gave my bond as collateral.

At the end of the first year I was offered a better job (jobs were scarce in those days), and the concern I was with trebled my salary. I stuck, and thirty-five years of business activity still finds me lined up with the same kind of business. I have practiced both the theory of a rolling stone and a stationary one, in that I have never changed the kind of business with which I started, but have added other lines of endeavor—banking, real estate, insurance and investment banking.

As my income increased I bought good railroad stocks and some safe bonds, until at the end of ten years I sold out everything I owned, including my home, for cash totalling approximately $10,000, and invested it in a one-third interest in the business I was to manage. The other two-thirds interest was held by the man for whom I had worked as hired man. I believed then, and I still believe after mature reflection, that after one decides to go into an enterprise, it is better to venture boldly, as that is the big end of bringing it to a successful conclusion. If a man has a right to expect success he will be rewarded.

The business expanded from a sales volume of $50,000 to $1,500,000 annually. Profits, for the most part, were kept in the business. Credit was kept sufficiently high to justify strong banks in New York and Chicago seeking our account. The limited cash profits I received from the business I invested first in real estate, both urban and rural, trading actively until a modest little fortune was accumulated.

Subsequently, a small bank which had a precarious existence reorganized its management and elected me on its new directorate, I taking ten shares of stock. (It is of interest to note that the man who sold me these ten shares of stock repurchased that number from me this year at a price of more than five times their original cost price to me.) I became active and with two others soon held control through stock ownership. Clamor was made for dividends, but profits were put into surplus, and surplus converted into capital until it was made the largest, safest and most popular bank in the county. (A bank failure in the city increased our deposits the next day.) In the course of time I became interested in nine banks and am active in three.

Following the war, I put my surplus into Liberties at about eighty-five and good dividend paying stocks, and later into bonds of all types—about one-half Municipal to secure tax exemption, and balance in Public Utility, Railroad, Real Estate and some foreign issues. More than a third of my estate is now invested in bonds, which are widely distributed and offer my estate a goodly diversification, geographically and in types of bonds. I have invested a greater proportion in bonds than I otherwise would, because my interests in manufacturing, banking, real estate and money lending are naturally circumscribed to a limited territory, and through bonds I can get a country-wide diversification.

At the start, a consistent savings plan of only $2 a week.

In addition to regular commercial banking, I have always loaned quite a bit of money for the reason that this affords one of the greatest returns; also, am interested with a few friends in the loaning

of money on auto paper at high rates.

I have always played the business game safe through diversification, which gave assurance that I could never be wiped out through bad business or disaster; therefore, have carried but a very small life insurance, as the return to the policyholder is always limited. I have, however, a substantial block of stock and am on the directorate of an insurance company which has seventy-five million assets.

I am on the directorate of three manufacturing corporations and seven financial institutions, and feel that I have prospered in all the various kinds of endeavors I undertook. My losses through poor judgment have been small in proportion to profits. For a country boy, and living at all times in a small country community, I have met with a fair degree of success, and have tasted the sweetness of life made rich by satisfying achievement.

I have heard the call twice to take a place in the big city to engage in two different lines of endeavor, but my ideas and habits belong to a small community, and I feel that there is where I belong. Besides, I feel too loyal to the business and people with whom I have grown up to quit.

My experience absolutely confirms the belief that every young man with intelligence, thrift and willingness to work, and ambition to grow independent, can become so in every line of endeavor. Napoleon said, "Circumstances? I *make* circumstances!" So can all of us, and we can afford to take our chances on being egotists.

The only plan I ever had for saving money was the first week when I began to save that first $2, and those first little savings were the foundation of all I did in business later. Any surplus has always gone into some profitable investment, which I have always tried to study before going into, and in taking hold of the lines in which I became active I carefully studied the kind of men with whom I was about to tie into.

I have never had any lazy money nor lazy investments. Man and money were created to work and achieve, and the world is too busy for either to be idle. When a thing gave me a good round profit and the time seemed good to sell, I have always sold. When an investment showed a tendency to be on the downward grade, or the profits unattractive, I got rid of it.

If I had not saved that first $2 per week I should, doubtless, be the same hired man in the firm where I started, for I am fully acquainted with the fact that I am a very ordinary fellow and possessed of very ordinary ability. A goodly number of people seek my counsel in a business or investment way, and they are possessed of much more intelligence and ability than I will ever have. A fair appraisal of the manner in which my estate is invested at present would be something like the accompanying box.

A Well-Diversified Estate

35% in bonds
30% in manufacturing corporations which I control through my friends
10% in financial corporations
5% in industrial stocks
9% in real estate
10% in money loaned
1% in life insurance
100%

I have never been out of debt, but in managing my personal credit it has been the same as the credit of the company I served—to create a credit standing which would serve in any emergency. A bank's business is to loan money as well as to get deposits, and if men starting out to make a success in life would learn that one of the essential factors is good banking connections there would be fewer failures.

I have never asked for credit when I did not get it at the lowest market rates. I have never tried to abuse my credit by getting into debt deeper than I could handle in a crisis; never asked nor expected a bank to finance me in any undertaking where they would be carrying any part of the risk.

I do not want to leave the impression that I am always 100% right, for the same rabbit's foot may sometimes fail, and one may need some other good luck token. I have met with at least a full share of incompetents to handle business, but for every incompetent there are two competents, so this average is in one's favor.

I have experienced fires, floods and tornadoes. At one time I had one plant in Arkansas covered to the roof lines with water, and deer camping on the roof. At the same time another kind of disaster snuffed out one-fourth the taxable wealth of the town about which I had built my business success. It seemed a little tough to be drowned at one end and blown away at the other end at the same time, but when the sun came out and the debris was cleaned up we found we had the same business friends and the same credit, and all that was lost was money—the thing with which we could best afford to part. Also, it was a good lesson to a man of the value of widely diversified spread of investment.

This rambling outline of a "country dub's" effort to create an estate may not have any merit in the absence of actual transactions, but they are too extensive to enumerate here. I attempt to show no concerted plan except my first effort to set aside the first $2 per week, which left me a sum sufficiently small that I can claim self denial was practiced, but the cost I paid in sacrifice I have been requited many times, as will any one else who will pay the price.

Of course, every man has his own ideas about handling money and making investments. It does not necessarily follow that because a plan proved to be successful for one man that it will be equally as successful for everyone else who tries it. Some men, for example, have been able to make financial progress by aggressively taking advantage of every investment opportunity whereas others will be just as successful in the long run by avoiding all possibility of risk in both their business deals and their investment undertakings. For this reason it is unwise for one to lay down a set of hard and fast rules for attaining financial independence other than using common sense.

An independent income in later years grew from a modest beginning.

An Object Lesson in Bank Investments

Showing How the Individual May Follow the Example of His Bank in Always Keeping Funds for Exigencies

By STEPHEN VALIANT

IT is the practice of a number of large banking institutions to publish detailed statements of their condition with an explanation of each item appearing in the statement couched in simple non-technical terms. The idea behind this form of bank statement is to show the depositors just how their money has been put to work by the officers of the bank. In the older form of a condensed statement, all that the average depositor could understand was that the bank had a certain amount of assets which were represented by a number of mysterous symbols or technical terms. It was not until the banks made a detailed explanation of each item, that the layman could understand why the bank kept a certain percentage of its money in U. S. Government securities, a certain percentage in deposit with other institutions and a large portion in demand loans. Now that bankers are taking the laymen into their confidence with these detailed explanations, it is possible for the investor to apply some of the fundamental principles of sound banking to his own private investment undertakings. Both the bank, with the public's money on deposit, and the private investor with surplus funds on hand over and above his needs for money at the moment, have a common interest—namely, placing funds where they will be safe in the first place and where they will earn some income in the second place.

Every banker knows that of the aggregate of funds placed on deposit with his institution, certain withdrawals will be made from time to time and he invests these monies with this thought in mind. On the average, the depositors will bring into the bank about as much money in one day or one week as they will draw out. That is to say, all of the bank's customers taken as a group may be expected to increase their deposits during banking hours about as much as they will want to make extra withdrawals, so that a comparatively small balance in cash is sufficient to accommodate every demand.

However, the wise banker is always prepared for extraordinary demands for cash as well as the usual daily average. So in addition to the currency in the vaults of the bank, he invests a certain percentage of the banks resources in mediums where he can liquidate quickly without loss. In fact under the laws which govern various types of banking institutions, it is compulsory to keep a certain portion of the bank's resources in such readily convertible mediums—this percentage of the bank's investments being commonly known as the bank's reserves. But the ordinary caution of a well trained bank official will govern his investments in such a manner that the resources of the bank are placed in much more convertible condition than the laws require, and the type of customers which the bank accommodates dictates to a large degree how the bank's money should be invested.

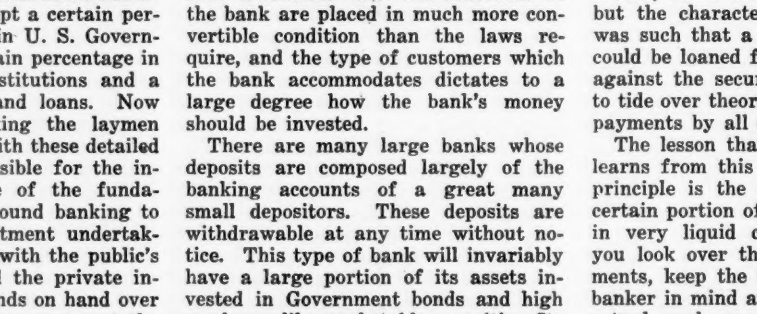
There are many large banks whose deposits are composed largely of the banking accounts of a great many small depositors. These deposits are withdrawable at any time without notice. This type of bank will invariably have a large portion of its assets invested in Government bonds and high grade readily marketable securities. Its loans will be made largely on a demand basis, so that the bank can get the money upon short notice whenever the depositors demand it.

Not so long ago an officer of a large New York City bank of this class, sat down with the writer and explained how the bank could liquidate its various investments in the event of a sudden "run" on the institution. The bank's depositors were so numerous and the total funds deposited was so large that it would take many days to pay out all of the funds owed to depositors with a teller at every window counting out the cash as demanded every minute of the regular banking hours. And in the first two or three days, a good deal more than half of this particular bank's investments could be turned into cash without loss to the bank. The writer was amazed to learn also that even though the imaginary "run" on the bank would last until the demands of every depositor was met, the bank would not be embarrassed at any one stage in the process of converting its assets into cash. The bank had a large sum of money invested in mortgages, which, of course, could not be easily liquidated, but the character of these mortgages was such that a sufficiently large sum could be loaned from other institutions against the security of the mortgages to tide over theoretical demand for cash payments by all depositors.

The lesson that the private investor learns from this fundamental banking principle is the wisdom of keeping a certain portion of his investment funds in very liquid condition. Next time you look over the list of your investments, keep the thought of a prudent banker in mind and consider how much actual cash you could realize from your investments in an emergency. The urgency may be a serious illness, or some unfortunate circumstance that would call for ready cash in a hurry—it might be something more pleasant such as an opportunity to make an advantageous investment or a business deal that would be of personal advantage if the ready cash were available. In any event, how much ready cash or credit could you raise from your investments as they now stand?

One of the most liquid investments that a private individual can make, of course, is a bank deposit, whether it is a demand deposit at a commercial bank or whether it is a savings account at the savings bank. Liberty bonds or other very high grade bonds are next in line from the standpoint of mar-

(*Please turn to page* 894)



The Insurance Question-Box

Everyday Life Insurance Problems Are Submitted by Readers

By FLORENCE PROVOST CLARENDON

For over three years I have been reading your insurance department with a great deal of interest. I have often found your articles of help in explaining many features of various insurance contracts clearly and accurately.

At the same time I too, have noticed the partiality you have seemed to show towards non-participating companies. In this regard I fail to see that your answer to "R. U. D." in a recent issue helps very much to explain this difference—in fact it looks as tho you were defending the non-par companies. For example, you say: "You do not, of course, refer to the initial premium, but the second year's premium reducible by the dividend at the end of the first year." Aren't you mistaken here—isn't the net cost the first year lower? Regardless of whether they pay the second premium or not the dividend is paid—so the first years net cost is the initial premium—minus that (the first year's) dividend. Am I not right on this? Of course each succeeding year the dividend may be larger, tho naturally this is not guaranteed.

I would appreciate your answering this thru the department, as I feel many who read will be misled as to just when and how the first year's dividend is applied. I know from experience as a life insurance agent, that your readers have a very strong and unusual faith in what you say thru The Magazine of Wall Street.

With kindest personal regards and continued good wishes for the continuance of the work you are doing. I am, cordially yours—J. L.

I have your interesting letter of recent date, and appreciate your comments therein.

Personally it is immaterial to me whether, in giving premium rates to correspondents, I quote a participating or a non-participating figure, except for one reason: That the non-participating figure gives at once the net cost (the initial premium) for all practical purposes, and hence it is easier for the usual correspondents.

Let us take up the matter of *net cost in the first year:* I quote below the rates of one non-participating company (whose figures are approximately the same as several other of the best known non-participating companies) and the premium rates and net costs of three good participating institutions:

Age 45—Ordinary Life rates

Participating	Annual prem.	Yr.	Net Cost
A Company......	$37.82	1st	$29.25
		2nd	29.02
		3rd	28.78
		4th	28.52
		5th	28.24
B Company......	35.43	1st	29.47
		2nd	29.22
		3rd	28.96
		4th	28.69
		5th	28.38
C Company......	38.83	1st	31.26
		2nd	31.01
		3rd	30.74
		4th	30.47
		5th	30.18
Non-Participating Company......	28.35		

In dealing with answers to correspondents, we try to take broad average viewpoints regarding companies; while you as an agent naturally have your own company strongly in mind. You state that participating companies pay the first dividend "regardless of whether or not the second premium is paid." We would call your attention to the varying practices of the companies quoted above on this point: –

Company A pays dividends annually commencing at end of first year.
Company B pays dividends annually at end of first year.
Company C pays dividends annually after end of one year.

Another company (D) one of the largest, pays dividends *after end of second year* and annually thereafter. Many companies pay the dividends annually *after* the first year; some even *after the end of the second year.* From the broad viewpoint of participating insurance, therefore, the question is not so simple as it would be if I were writing for your particular company.

A life agent representing a company which pays a dividend at the end of the first year, even if the policy lapses, is likely to think that other participating companies do the same. My viewpoint is that a larger proportion pay the first dividend *only if the policy be continued into the second year,* and as a deduction from the second premium. Some companies even refuse to pay a dividend during the second year, and claim, with much logic, that no life insurance policy is self-supporting till the third year or later. They submit that a company paying a dividend to a lapsed policy at the end of the first year is taking this dividend from its other and continuing policyholders.

Of course I know that you may point out that at the young ages—say 25—the same conditions as are outlined by the above figures may not always hold. This is true. But it is caused by a peculiar condition of legislation at the present time, whereby the non-participating companies have been prevented from diminishing their premiums at young ages to the extent they would like to do. This legislative condition is likely to change in the near future.

The matter of net cost over a long period of years opens another interesting viewpoint. The disappointments of the period from 1900 to 1904 bringing about the Armstrong and other investigations, arose to a great extent from the rapid reduction in the interest rate earned on investments. For more than ten years we have again enjoyed a period of high interest rates caused by the World War. These high interest rates have been most helpful in producing the large dividends on participating insurance. But interest rates have been declining rapidly and give indication of declining further. With this declining interest rate, a decline in the dividends of participating life insurance becomes likely. Accordingly the more conservative life insurance men adopt a cautious attitude in discussing and submitting dividend figures extending for a period of 10, 20 or 30 years into the future, based upon present day high dividend schedules.

We cannot enter longer into this discussion, nor deal further with the various phases of the subject at present,—suffice it to say again that it is immaterial to us whether a participating or non-participating rate is used. The use of the latter is more definite and is convenient so as to permit the reader to vizualize the annual cost without making dividend deductions or dealing with a reducing annual cost and an indefinite factor depending on dividends declared in the future. We do not have the opportunity which comes to an agent of talking personally with an inquirer; thus we must give our answer as briefly, lucidly and fairly as is possible by letter always with a desire to be unbiased not only as between the classes of policy and the type of insurance, but also as between one life insurance company and another.

A Teacher Seeks Advice

Insurance Editor:

In a recent issue of your Magazine you described an Income Bond as a suitable form of insurance for a school teacher. I am very much interested in this kind of insurance and would like to have you give me the names of several companies who would send their propositions along this line. Although I have a good line of insurance at present, a certain amount of this income insurance would help me to attain financial inde-

(Please turn to page 914)

TRADE TENDENCIES

Trade Progress Irregular

Fair Activity in Some Industries in Anticipation of Spring Requirements—Slight Improvement in Prices But Many Markets Dull

STEEL

Prices Continue Firm

WHILE nothing of an arresting nature has occurred in steel during the past several weeks, steadiness which has been the predominant feature in the industry still characterizes the situation and operations are holding at around the highest levels witnessed so far this year. Production, although not expanding as rapidly as in earlier weeks, is at high levels, but a point has been reached where output and shipments are about running parallel with each other, resulting in a slight decline of unfilled orders. Operating capacity of the Steel Corporations shows little change, the 90 per cent level being well maintained. Some independents, chiefly those in the Youngstown district, are increasing production, but the average rate for the entire group is about 78 per cent. It is doubtful that any large gain will be reported in the near future, although there is little likelihood of any marked recession in view of consider-

(*Please turn to page* 895)

THE TREND IN MAJOR INDUSTRIES

STEEL—Operations holding at recent high levels, with production gaining slightly. Output and shipments in closer alignment, indicating producers are making inroads on backlog of orders in maintaining present capacity. Important steel consumers continue steady purchasers and price situation is stronger.

METALS—Feature in copper is stability of prices which are well supported at 14 cent level despite smaller demand by both foreign and domestic consumers. Stocks on hand as of February 1 show a decline but present rate of output precludes the possibility of any further material reduction. Lead and zinc weak, with declining prices failing to stimulate more than moderate buying.

PETROLEUM—An effort to adjust crude oil market to refined products resulted in higher prices for light oil and a reduction for heavy oil. Significant feature of these changes is that it forecasts an improved gasoline situation, which is already turning stronger, and takes into account poor demand for fuel oil.

TEXTILES—With silk industry in a decidedly improved statistical position, raw markets are beginning to reflect more spirited demand. Cotton goods markets are slightly more active and, in conjunction with a larger January consumption than was anticipated, outlook is more promising than in previous weeks.

LEATHER—Prices for hides are showing some recession, owing to the smaller demand during past weeks. There is little change in situation and no large increase in supplies is looked for. Shoe manufacturers have sufficient orders on hand to maintain active schedules; outlook for higher shoe prices continues bright.

AUTOMOBILES—Production exceeds by a considerable margin present volume of retail sales but is result of seasonal accumulation of stocks in preparation of large Spring demand. Prospects for large sales are bright, especially in view of low prices which obtain; and earnings of many companies for first half should show good gains.

FERTILIZER—Greatly improved conditions feature outlook for fertilizer industry as planting season approaches. With farmers better situated financially and able to avail themselves of greater economies from a more extensive use of fertilizers, it is likely that growing consumption and higher prices will be witnessed within next few months. Competition, however, is likely to be keen but leading manufacturers should report substantial profits.

SUMMARY—Oncoming Spring season enabling many industries to speed up production, but in others conditions are not so favorable, giving business situation irregular aspect. Agricultural sections likely to prove important factor in shaping activity over coming months.

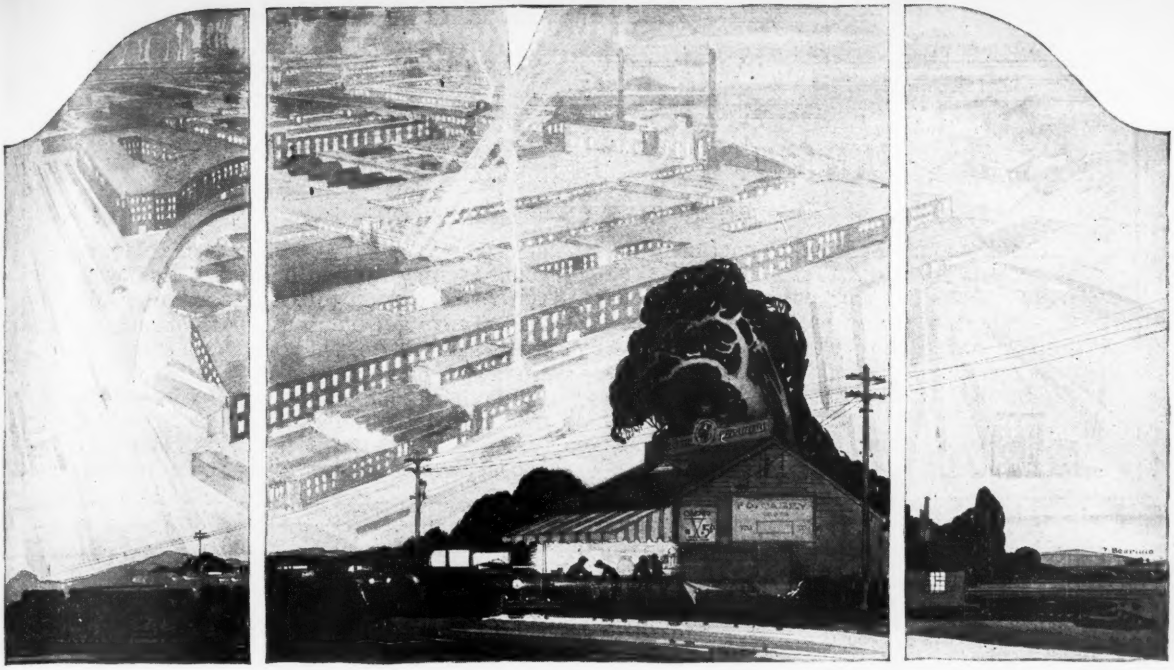
COMMODITIES*

(See footnote for Grades and Unit of Measure)

	1928 High	1928 Low	1928 *Last
Steel (1)	$33.00	$33.00	$33.00
Pig Iron (2)	17.00	17.00	17.00
Copper (3)	0.14¼	0.14	0.14
Petroleum (4)	1.90	1.03	1.28
Coal (5)	1.75	1.52	1.58
Cotton (6)	0.19⅝	0.17¾	0.19
Wheat (7)	1.67⅞	1.50⅞	1.67⅞
Corn (8)	1.16⅛	1.06	1.16⅛
Hogs (9)	0.08¼	0.07⅝	0.07⅝
Steers (10)	16.50	15.35	15.35
Coffee (11)	0.16¼	0.14¼	0.16¼
Rubber (12)	0.41	0.27⅛	0.28⅞
Wool (13)	0.50	0.47	0.50
Tobacco (14)	0.12	0.12	0.12
Sugar (15)	0.04⅝	0.04¼	0.04¼
Sugar (16)	0.05⅞	0.05⅝	0.05⅝
Paper (17)	0.03¼	0.03¼	0.03¼
Lumber (18)	20.93	19.96	20.93

* Feb. 25.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, Spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium, Burleigh, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.



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In the electrical field it maintains thousands of miles of transmission lines and huge generating plants with a capacity of 725,000 horse-power.

The New Business Department of the Cities Service organization supplies yearly more than $10,000,000 worth of gas and electrical appliances to customers of its public utility properties.

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. . . .

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·SERVICE·SECTION·

ANSWERS TO INQUIRIES

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Are You Sure of Your Broker?

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Subscribers wishing to avail themselves of the privileges of the Personal Service Department should be guided by the following:

1 ***Be brief.***
2 ***Confine requests for an opinion to three securities.***
3 ***Write name and address plainly.***

KENNECOTT COPPER

Have you any information regarding Kennecott? I have been holding the stock which originally cost me 44 for some years. I was going to take my profit recently, but my broker told me that he thought the dividend would be raised to $6 a year.—M. A. B., Boston, Mass.

As the world's largest copper producer Kennecott Copper, despite relatively unfavorable conditions in the copper industry, has enjoyed wholly satisfactory earnings in recent years. While definite results for the full 1927 year are not yet available the company is expected to be one of the few copper companies to equal their 1926 showing, when in this case a balance of $5.80 a share was reported. Ore reserves assure a life of many years for the properties and production cost of around 8c a pound has contributed largely to maintaining a satisfactory margin of profit under varying trade conditions. The previous advance in market prices of the shares had been accompanied by rumors that some upward revision in dividends is in prospect, although there have been no definite developments along those lines to date. Nevertheless, at the $5 annual rate, a fair income is afforded at current prices, and with indications of copper metal prices averaging higher in the first quarter of 1928 than in the same period of 1927, resulting in further gain in earnings, larger dividends are by no means impossible. Possibilities of some further price appreciation do not seem wholly exhausted, and we suggest holding the shares with a view to developments.

AMERICAN SUGAR REFINING

Please advise me regarding American Sugar Refining common. I was induced to purchase it at 76 the latter part of last year by reports of the supposed improvement in the sugar outlook. Since then, the dividend has been passed and I am disturbed about my stock.—P. H. N., St. Louis, Mo.

American Sugar Refining, as the largest domestic sugar refiner, has been severely handicapped in later years by the generally unfavorable conditions prevailing in the industry. While definite results for the full 1927 have not yet been made public, it is understood that although earnings in the first nine months were sufficient to cover common dividends at the previous rate of $5 a share annually, there were practically no profits available for the junior shares in the last quarter, and income for the full year is likely to run somewhat lower than $5 a share, against $7.08 a share in 1926. Omission of common dividends has been the natural result. Difficulties have been ascribed largely to crop restriction measures by the Government of Cuba, together with large unsold stocks, which have caused western beet and cane sugar to come into the eastern states, resulting in curtailment of operations of eastern and Gulf refiners. However, while the immediate outlook is considerably clouded, in view of the basic character of the industry, and American Sugar's strongly entrenched position therein, both financially and tradewise, we believe a constructive attitude toward the longer range outlook is warranted. Present prices of the stock represent considerable discount of the worst aspects of the situation, and we believe you would do well to retain for the time being at least, pending developments.

FLEISCHMANN

You recommended the purchase of Fleischmann to me last year and so I bought 20 shares at 54. What do you think of the prospects for future extra dividends?—J. K. F., Washington, D. C.

As a producer of most of the compressed yeast sold in the United States, and as an important manufacturer of distilled vinegar, malt, etc., Fleischmann has reported almost consistent yearly expansion in both sales and profits since 1919, record volumes being reported for 1927, when earnings were equal to $4.30 a share, against $4.08 a share in 1926. Operations are world-wide in scope and at present there seems to be no bar to future substantial growth in both business volume and earnings. Financial condition is excellent, which permits the company to distribute a major portion of earnings in the form of dividends. While an increase in disbursements over the regular $3 annual rate now prevailing does not seem imminent, shareholders seem warranted in looking forward to extra payments from

(Please turn to page 888)

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The Baltimore and Ohio Railroad Company

OFFICE OF THE PRESIDENT Baltimore, Md., February 29, 1928.

To the Stockholders of The Baltimore and Ohio Railroad Company:

That you may be promptly informed of the results obtained from the operation of your property for the year ended **December 31, 1927**, the President and Directors submit herewith a condensed income statement, compared with the preceding 12 months period, together with balance sheet, as of December 31, 1927, and certain general information which it is thought will be of interest to you.

The Annual Report of your Company in the customary form will be prepared and forwarded later to those stockholders who may advise the Secretary of the Company of their desire to receive a copy.

The total miles of first main track operated in 1927 was 5,637.54, a net increase of 349.57 miles, compared with the year 1926. This increase in mileage was due principally to including for the year of 1927 the mileage of the Cincinnati, Indianapolis and Western Railroad Company, 317.98 miles, which was acquired in 1926. During 1927 your Company also operated directly the properties of the Indian Creek Valley Railway Company, 24.07 miles; the Cheat Haven and Bruceton Railroad Company, 6.38 miles, and the Hamilton Belt Railway Company, 2.94 miles. In order to afford a more accurate comparison, therefore, the figures for the year 1926 have been restated herein to include the operations of these several properties.

The net income for the year available for dividends and other corporate purposes, after the payment of interest, rentals, taxes and other fixed charges, was ....$22,632,345. While this was a decrease of $4,977,414, compared with 1926, it was still the largest net income in the history of your Company with the single exception of that year.

After paying the 4% dividend upon the Preferred Stock there remained..........$20,277,817 equal to $11.10 per share on the average amount of common stock outstanding during the year. Dividends at the rate of 6% were declared on the common stock outstanding during the year, after which there remained from the year's operations to be carried to profit and loss $9,313,326. The total accumulated surplus of your Company on December 31, 1927, was $90,935,666.

During the year your Company increased its capital through the issue and sale, as of June 9, 1927, of $63,242,500 additional common stock at the price of $107.50 per share. From the proceeds of this sale your Company was enabled to retire on or before January 1, 1928, obligations in the amount of $35,800,000, the balance of the proceeds being available for additions and betterments to the property. By virtue of this sale of additional shares the fixed charges of your Company will be reduced by $2,144,000 per annum. There was also effected an improvement in the relationship of capital stock and mortgage debt to total capitalization, namely, from 26.65% of stock and 73.35% of mortgage debt to 33.48% of stock and 66.52% of mortgage debt. In other words, instead of a proportion of one of stock to three of bonds, the relationship became one of stock to two of bonds; an improvement which should be reflected in a broader market for your Company's securities, and cheaper financing of your Company's monetary requirements in the future.

During the year there was expended for additions and betterments to road..........$13,386,864 and for additional equipment......... 16,552,883

Total $29,939,747

The additional equipment consisted of twenty especially heavy passenger locomotives, known as the "President Series," and two electric locomotives, all of which equipment has been designed for and used in the operation of the passenger service between Washington and New York.

The following passenger and freight car equipment also was purchased: 115 new all-steel passenger train cars, consisting of coaches, diners, baggage and combination cars; 1,625 all-steel box cars, and 3,000 all-steel hopper cars. In order to effect the more economical operation of local passenger service, five additional gas and electric cars were secured.

Five passenger train cars, 2,039 freight train cars, and 360 pieces of work equipment, no longer suitable for modern service and efficient operation, were retired during the year.

The motor coach service from train-side at Jersey City into the Metropolitan area of New York is meeting with approval on the part of the traveling public, as reflected in the steadily increasing patronage of this service.

In addition to the special passenger train service being rendered by the "Capitol Limited," "National Limited" and "Detroit-Washington Limited," there was added during the year the "Fort Pitt Limited," a new train operating between Pittsburgh and Chicago.

Notwithstanding the fact that there occurred a general decrease in business throughout the country, emphasized in the territory served by your Company because of the marked decline in the export coal traffic due to the settlement of the British coal strike, the tons of revenue freight carried decreased but 5.01%, compared with 1926; while due to the increase in the average miles each ton was moved, the tons one mile decreased only 2.39%. Freight revenue as a whole decreased 4.20%, due in part to the decrease in tons one mile, and in part to slightly lower rates per ton per mile which were effective during the year.

The number of passengers carried during the year decreased 6.28 per cent., compared with 1926, and the passenger revenue decreased 6.58 per cent.

From each dollar of earnings received during the year your Company expended 33.40 cents for maintenance as compared with 34.04 cents in 1926. Transportation expenses consumed 35.47 cents of each dollar earned in 1927, compared with 34.77 cents in 1926, the increase being mainly due to higher rates of pay granted employes. The increases in rates of pay, largely the result of arbitration awards, are in part reflected in the somewhat higher operating expense ratio, which was 75.65 per cent. of the operating revenues in 1927, compared with 74.34 per cent. in 1926.

The increase in general expenses is in large part due to the unusual expense incident to the Centenary Celebration, and in part to the increased basis of pension payments to retired employes, and the inclusion of the entire administrative expenses of the Relief and Savings Features, which are assumed by your Company under resolution of the Board of Directors, effective October 1, 1926.

The property has been well maintained and was in good physical condition at the end of the year.

February 28, 1927, marked the completion of the Company's one-hundredth year of continuous existence under its original charter. The event was fittingly celebrated by a Centenary Exhibition and Pageant on the Company's property at Halethorpe, in the suburbs of Baltimore, from September 24 to October 16, 1927. "The Fair of the Iron Horse," as it came to be known, seemed to meet with public favor and approval. In the twenty-three days of its existence more than 1,250,000 persons visited the grounds and inspected the many interesting exhibits depicting the advance of American railroad development throughout the first century of its existence. On a specially constructed loop of railroad track and highway side by side a Pageant moved daily which showed the story of the development of inland transport in the United States. There was presented a line of locomotives which illustrated, step by step, the development of the steam locomotive on the Baltimore and Ohio, and through the courtesy of other companies there were also presented engines of both early and modern design from prominent railroads in the United States and Canada, with a particularly interesting type from the Great Western Railway of England. Much favorable comment as to the historical accuracy and educational value of the Pageant was expressed throughout the country.

The Management again desires to commend the Baltimore and Ohio service to the shareholders, and through them to the general public, and to ask their further cooperation in its efforts to secure a greater proportion of the business moving to and from the territory which it serves. The assistance given by the shareholders in the past has been most helpful and it is hoped this cooperation will be continued and extended where opportunity may offer.

DANIEL WILLARD, President.

THE BALTIMORE AND OHIO RAILROAD COMPANY

INCOME ACCOUNT

	1927	1926	Increase or Decrease Amount	%
Revenue from freight transportation	$203,567,887	$212,491,018	$*8,923,131	*4.20
Revenue from passenger transportation	26,286,707	28,137,228	*1,850,521	*6.58
Revenue from mail, express and other transportation service....	16,223,916	16,945,140	*721,224	*4.26
Total Railway Operating Revenues	$246,078,510	$257,573,386	$*11,494,876	*4.46
Maintenance of Way and Structures	$30,894,282	$32,639,547	$*1,745,265	*5.35
Maintenance of Equipment.......	51,318,648	55,039,906	*3,721,258	*6.76
Traffic	5,599,463	5,241,032	358,431	6.84
Transportation	87,289,456	89,545,840	*2,256,384	*2.52
General	8,851,319	6,793,829	2,057,490	30.28
Miscellaneous	2,215,353	2,212,147	3,206	0.14
Total Railway Operating Expenses	$186,168,521	$191,472,301	$*5,303,780	*2.77
Transportation Ratio	35.47%	34.77%		
Total Operating Ratio	75.65%	74.34%		
Net Revenue from Railway Operations	$59,909,989	$66,101,085	$*6,191,096	*9.37
Taxes	$12,286,617	$12,076,677	$209,940	1.74
Equipment, Joint Facility Rents, etc.	2,806,145	3,860,558	*1,054,413	*27.31
Total Charges to Net Revenue...	$15,092,762	$15,937,235	$*844,473	*5.30
Net Railway Operating Income, as defined in the Transportation Act of 1920	$44,817,227	$50,163,850	$*5,346,623	*10.66
Other Income—Rents, Dividends on Stock and Interest on Bonds owned	8,570,687	7,116,338	1,454,349	20.44
Total Income from all sources..	$53,387,914	$57,280,188	$*3,892,274	*6.80
Deductions for Interest and Rentals	$30,091,076	$28,930,108	$1,160,968	4.01
All Other Charges Against Income	664,493	740,321	*75,828	*10.24
Total Deductions from Income..	$30,755,569	$29,670,429	$1,085,140	3.66
Balance of Income available for dividends and other Corporate purposes	$22,632,345	$27,609,759	$*4,977,414	*18.03
Dividends declared:				
Preferred Stock—4%	$2,354,528	$2,354,528	....	....
Common Stock—6%	10,964,491	9,116,725	$1,847,766	20.27
Total Dividends	$13,319,019	$11,471,253	$1,847,766	16.11
Leaving a Surplus, after all charges and dividends declared, of....	$9,313,326	$16,138,506	$*6,825,180	*42.29

STATISTICS

	1927	1926	Amount	%
Revenue Passengers Carried....	12,873,274	13,736,339	*863,065	*6.28
Revenue Passenger Miles......	844,449,038	902,306,942	*57,857,904	*6.41
Average Miles per Passenger...	65.60	65.69	*0.09	*0.14
Average Rate per Passenger Mile (cents)	3.113	3.118	*0.005	*0.16
Tons of Revenue Freight Handled	108,495,849	114,222,970	*5,727,121	*5.01

* Decrease.

STATISTICS—(Continued)

Revenue Ton Miles	20,841,869,236	21,351,919,732	*510,050,496	*2.39
Average Miles per Ton	192.10	186.93	5.17	2.77
Average Rate per Ton Mile (mills)	9.77	9.95	*0.18	*1.81
Revenue Tons per Train Mile..	856.67	850.03	6.64	0.78
Freight Train Miles per Train Hour	10.67	10.23	0.44	4.30

(Advertisement)

THE BALTIMORE AND OHIO RAILROAD COMPANY

Condensed Balance Sheet—December 31, 1927

ASSETS

Investment in Property used in Transportation Service		$859,885,306
Road	$608,337,240	
Equipment	251,548,066	
Investment in Separately Operated Companies, Including Miscellaneous Physical Property		58,174,738
Investment in Sinking Funds and Deposits account Property Sold		667,703
Investment in Other Companies		56,741,577
Total Investments		$975,469,324
Current Assets		91,913,650
Cash	$18,749,860	
Cash Reserve for Redemption of Bonds, Jan. 1, 1928	34,717,775	
Other	38,446,015	
Deferred Assets		4,201,266
Total Assets		$1,071,584,240

LIABILITIES

Capital Stock Outstanding		$274,051,035
Preferred	$58,863,181	
Common	215,187,854	
Premium on Capital Stock		3,320,231
Long Term Debt		553,379,173
Mortgage Debt	$476,454,423	
Equipment Obligations	70,488,800	
Capitalized Leaseholds	6,435,950	
Current Liabilities—Traffic and Car Service Balances, Accounts and Wages Payable, Interest and Dividends Matured and Unpaid, Unmatured Dividends Declared, and Other Current Liabilities		29,570,123
Bonds Called for Redemption, Payable January 1, 1928		33,871,000
Liability for Provident Funds and Other Deferred Items		10,424,802
Accrued Depreciation—Equipment		61,772,898
Reserve for Taxes, Insurance, Operation, etc		14,259,312
Surplus		90,935,666
Total Liabilities		$1,071,584,240

ROAD OPERATED AND EQUIPMENT

Total Miles of Road Operated			5,638
Total Miles of All Track Operated			11,037
Locomotives	Steam	2,539	
	Electric	13	
	Other	2	2,554
Passenger Train Cars			1,704
Freight Train Cars			105,940
Tugs, Barges and Other Boats			179
Work Equipment			2,995

Income Tax Department

Conducted by M. L. SEIDMAN

This is the last instalment of the Income Tax Department which has been published regularly since December. This feature is published purely as a service to subscribers and readers of THE MAGAZINE OF WALL STREET *and appears each year from December until the issue proximate to the date of the first instalment tax payment on March* 15.

Exemptions

As far as exemptions are concerned, a single person is entitled to $1,500; and a married person or head of a family to $3,500. The married man's exemption of $3,500 is for the husband and wife together. Where they each file separate returns, the $3,500 can be divided between them in whatever amounts they deem best.

Earned Income

The earned income credit is an allowance of 25% of the tax computed on the basis of the earned income being the total income. The maximum amount that can be considered as earned income is $20,000; the minimum is $5,000. As a general proposition, however, the earned income credit must not exceed 25% of the tax that would be otherwise payable.

Filing Returns

And now on the question of making returns. Returns must be filed in all cases, irrespective of the amount of the net income, if the gross income exceeds $5,000. If the gross income is less than $5,000 then a return must be filed in the case of a single person if the net income exceeds $1,500, or in the case of a married person if the net income exceeds $3,500.

The Various Income Tax Blanks

An individual makes his return on one of two forms. One of them is designated as form 1040A, and is a small white blank to be used only in those cases where the net income is not more than $5,000 and is derived chiefly from salary, wages or commissions. Where the income is in excess of $5,000, or it is derived from a business or profession, regardless of the amount, the large white form, known as form 1040, is to be used.

Partnerships make their reports on the large yellow form known as form 1065. Every partnership, as distinguished from the individuals making up the firm, must file a return, no matter what its income.

The corporate return is a blue form, designated as form 1120. Just as in the case of partnerships, all corporations must file a return, irrespective of the size of its income.

All the returns mentioned thus far have to do with the income of those making the report. In addition, individuals, partnerships and corporations are required to file returns as to certain income they pay to others. These are known as "information returns," and are intended to assist the Government in checking up the returns of the individuals to whom the payments are made. A separate slip—form 1099—must be filed for each income payment of $1,500 or more made to a single person, or $3,500 or more made to a married person during the year 1927, for salaries, interest, rents or other similar income. In addition, a summary of these reports must be made on form 1096.

Time and Place of Filing

All calendar year returns must be filed by March 15, 1928. The Information Returns go to the Commissioner of Internal Revenue, Sorting Section, Washington, D. C. The other returns go to the Collector of Internal Revenue for the district in which the taxpayer resides or maintains the principal place of business.

Method of Payment

The tax may be paid in full, and in that event, a check to the order of the Internal Revenue should accompany the return for the amount of tax shown on the return. However, the taxpayer has the privilege of paying in four equal installments. In that event, one-quarter of the tax should accompany the return and the other three payments must be made on June 15, September 15 and December 15, respectively.

QUESTIONS AND ANSWERS

Deduction for Gifts

Q. Are Christmas gifts, gifts to members of one's family to help them along, exempt from tax to the giver?—H. E. H.

A. The only gifts that are deductible are those made to charitable organizations. Gifts to a member of one's family are not deductible.

Stock Bonuses

Q. For several years the company I have been associated with has made it a practice to issue to some members of its organization a certificate of common stock of the company as a bonus gift, entirely separate from salary, and I have been one of those so favored. There has been a statement made that stock bonuses of this kind should be reported as an income item, computation to be based on the market value of the securities on the date of issue, the same as if it had been cash in an equal amount. Can you inform me whether or not this is correct?—J. W. R.

A. If the stock is given to you as a bonus for services and not merely as a gift, you must report it as income when the stock is received at its then market value. Only if the stock is given you purely as a gift and without relation to your services can you defer reporting any income until the time the stock is sold.

Payment for Investment Service

Q. A part of my income is derived from trading in stocks. In order that there may be an income from this source, I pay $150 a year to investment services to guide my efforts along profitable lines. There are also other expenses connected with this service such as telegrams, etc. I also subscribe for two financial magazines. Are these items legitimate deductions from income?—F. L. W.

A. As these expenditures were incurred by you in deriving your trading profits they are deductible.

Brother's and Sister's Return

Q. My sister and I reside on a property left us jointly by will, and pool our earnings. Have heretofore filed a single return, but can we file a joint return and I claim the exemption of $3,500 as head of the family.—R. H. L.

A. A brother and sister cannot file a joint return. Only a husband and wife are permitted to do so. Neither one of you can claim the head of the family exemption, since you do not live with anyone who is dependent upon you. You are each, however, entitled to $1,500 exemption.

Return for Unprofitable Corporation.

Q. I should like to know whether an income tax report must be submitted in the case of a corporation having been in business for less than a year, was capitalized for less than $2,000—there was no profit and no income from same.—G. M. G.

A. Every corporation, irrespective of the amount that it is capitalized for or whether or not it makes money must file a return. The report need not cover a period of less than a year. You can wait until the corporation has been in business for a full year and file on that basis. However, if you regularly want to use the calendar year hereafter, a return must be filed by March 15 covering the period from the time the corporation started in business up to December 31.

(*Please turn to page* 899)

BUY THESE STOCKS NOW?

A number of stocks are rapidly approaching bargain levels which are only rarely available.

These stocks were clearly under-valued *before* the recent reactionary tendencies manifested themselves. They now are exceptional bargains, selling at levels which probably will not be seen again for some time. *These securities should be bought now.*

Our current Bulletins recommend the purchase of several of these under-valued stocks. They tell at what prices they should be bought—and why. Some of these issues recommended should have rather brisk and substantial advances in the near future.

In addition to advising the purchase of a few outstanding bargain stocks, our current Bulletins tell what should be done with the following issues—whether to buy, hold, or sell:

FREEPORT TEXAS	GENERAL MOTORS
MATHIESON ALKALI	PACKARD
NORTHERN PACIFIC	HUPP
ROCK ISLAND	CHRYSLER
COLUMBIAN CARBON	NASH
WESTINGHOUSE AIR BRAKE	STUDEBAKER
AMERICAN BRAKE SHOE	HUDSON
LIMA LOCOMOTIVE	ATCHISON
GENERAL RAILWAY SIGNAL	BALTIMORE & OHIO
ALLIED CHEMICAL	PENNSYLVANIA

If you are interested in any of the above securities, or would like to know what the Stock Market is likely to do next, write for copies of our current Bulletins. They will be mailed free upon request, together with a copy of an interesting booklet, "MAKING MONEY IN STOCKS." In addition, we shall be glad to send you a Special Analysis of an under-valued stock which should advance substantially within a reasonable time.

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Name ....

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BOND MARKET PURGING ITSELF OF INTERNAL WEAKNESS

(*Continued from page* 847)

low as 56 before the past year ended, then rallied rather abruptly to 72—a point reached not so long ago, which stands over 5 points higher than the best price reached in 1927. Nassau Electric 4s, another underlying traction issue, of medium grade investment strength sold down from 63 to below 50 more on political bickering than any material development to affect its value as an investment and then made a sharp recovery of most of its loss. These movements are typical of the influence of news on the second grade bond issues. When New Haven common was restored to grace as a dividend paying stock, the debenture bonds of the Consolidated Railways (a traction subsidiary of New Haven) gained 6 and 7 points respectively—again largely on "news" with little change in fundamentals.

Many other interesting examples could be quoted of erratic price movements among medium grade bonds. To explain away their wide price swings with the bare statement that they are speculative issues, rather than high grade investments is certainly to part ways with traditional principles of bond investment. For it is true that there have always been strong issues and weak issues bought and sold on the bond exchanges. But to a far greater extent than at present, both the strong and the weak bonds were then ruled by trend of money rates.

Ragged Edges of Market

Weak and strong alike, bonds were bought for income and income alone. If the ability of the borrowing corporation or government to meet the obligations stipulated on the face of the bond was well assured the income was small. If this so-called "ability to pay" were not so strong, the added factor of investment risk was offset by the attraction of a larger income return. But to buy bonds for profit is rather a brand new idea introduced into the bond market during the past decade or so ago. And it is this *buy bonds for profit idea that is responsible for the ragged edges of the bond market that show up under pressure such as the market has experienced during the past month or so.*

Looking back to the years 1920 and 1921, one reflects on the extreme scarcity of money at that time and the difficulties encountered by borrowers both corporate and individual. Even concerns of very high credit standing were compelled to pay liberal inducements to investors when they came into the market for a loan. The cost of distributing bonds was also high because issues moved along slowly in

(*Please turn to page* 878)

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*R. W. McNeel was 10 years Financial Editor of the Boston Herald, the leading financial newspaper of New England and one of the outstanding daily newspapers of the country. He was 5 years Business Editor of the Boston Herald. He is the author of "Beating the Stock Market." He has been author, editor, investor, lecturer, publisher, and personal financial advisor to individuals, institutions, trustees, and estates.
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(*Continued from page* 876)

those days and carried very high sales costs due to the scarcity of funds available for investment. Thinking only of the necessities of the moment, investment firms catered to the whims of that large body of involuntary investors created by war loan drives and found a potential field for the placement of millions of dollars worth of good bond investments.

This type of bond buyer was not by any means a true investor, however, and to meet the requirements of the parvenue clientele, bond salesmen encouraged in numerous ways the idea of buying bonds for profit. Syndicates made it a practice to mark up new issues before they were thoroughly distributed among investors and before the definitive certificates were ready for delivery. Bond buyers in turn learned to turn a quick penny by subscribing for new issues with no thought of holding the issue for permanent investment. The evils of this practice grew to such proportions that only a few years ago syndicates found it necessary to redistribute their bonds considerably before a true market could be relied upon for the issue. In extreme instances it is known that offerings were actually sold twice over before the syndicate support could be withdrawn from the market. And this practice has left a heritage to the present day bond market.

Technical Condition

In addition to the speculative flavor that has made its intrusion into the bond market in recent years, the tremendous expansion of bond financing has created a weak technical situation. Not only does the present day body of bond buyers include many undiscriminating investors but the scope of bond financing has grown to such huge proportions that sophisticated buying cannot be relied upon to support sound intrinsic values. For one thing, the volume of new offerings, which has more than doubled since 1919, takes the pressure of capital seeking employment away from the markets for seasoned issues. Another factor of no minor importance is the tendency of the distributors of bonds to force the market.

As long as the public's investment appetite was unsatiable and a surplus of funds existed over and above the commercial needs of the nation, the effects of these factors remained hidden below the surface. The impetus of a constantly rising bond market had a tendency to carry along weak issues. When the standard investment bonds of the first water reached levels where their income was no longer attractive and all incentive of profit disappeared, there was a strong overflow of funds into the weaker issues. That a number of such issues were carried to unwarranted levels seems to be rather clearly indicated by the action of the bond market itself during the past month or so.

Naturally, heavy liquidation has the

(*Please turn to page* 880)

One Outstanding Stock!

(A New Method in Investment Advisory Service)

FEW individuals are able to invest in one hundred different securities, during the course of the year. Picking and choosing, at random, from a broad list of recommendations, is a burden. The American Institute of Finance has relieved *its* clients of this handicap—removed it completely.

All through 1926 and 1927, the American Institute of Finance has pointed out to its clients, from time to time, the *outstanding individual* stock to buy, combining safety with satisfactory profit possibilities, where the client is in a position to, or wishes to, make only *one* individual purchase.

The following is a complete record of outstanding individual opportunity recommendations. These twenty stocks, out of twenty recommendations, *all* show a profit and a net gain of 619 points.

STOCK	Purchase Price	Price Jan. 1, 1928†	Points Protection	Profit on Capital Used
1926				
Colorado & Southern	70	120	30	116%
Chesapeake & Ohio	117	164*	30	156%
Atchison	125	193	30	226%
Pere Marquette	82-83	130	30	156%
Missouri Pacific common	35-36	52	20	80%
International Harvester	127	160*	30	110%
Air Reduction	130	185	40	137%
Gulf, Mobile & No. common	35	65*	20	150%
Atchison	145	193	30	160%
Chicago, R. I. & Pacific	69	112	30	143%
1927				
Baltimore & Ohio	109	118	30	30%
Delaware & Hudson	182	227*	40	112%
Gold Dust	46	96*	25	200%
Union Pacific	170	190	30	66%
Chesapeake & Ohio	166	200	40	80%
New York Central	148	167**	30	63%
Peoples Gas	143	165**	40	55%
Standard Oil New Jersey	38	40	20	10%
Chesapeake Corporation	73	81	30	25%
Northern Pacific	94	97	30	10%

***Profits taken at indicated price. **Price includes rights received and sold.**
†Jan. 1, 1928, prices used because, at that time the Institute advised a marked restriction of holdings and adopted a generally bearish position.

RESULT:—NOT A SINGLE LOSS—AN AVERAGE PROFIT OF 105% ON THE CAPITAL INVESTED

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(*Continued from page* 878)
momentary affect of unsettling the whole bond list, good and bad alike. It is, therefore, of considerable importance to register some of these facts, if for no other reason than to eliminate at once any thought that the bond market itself is not in a healthy condition at the present time.

DO PRESIDENTIAL YEARS BRING GOOD BUSINESS?

(*Continued from page* 835)

A study of commercial failures shows that they have no particular attachment to presidential years.

A recent publication, considering the present subject more from the stock exchange viewpoint, concludes that since the organization of the New York Stock Exchange there have been eleven bullish presidential years, five bearish and one neutral. The eleven bullish years are given as 1868, 1872, 1880, 1888, 1892, 1900, 1904, 1908, 1912, 1916 and 1924. Strangely enough, considerwhat a fateful year it was in general, 1860 is classed as neutral. Only three of the bearish years are attributed to domestic policies. One of them was the critical civil war year of 1864, when the armies were deadlocked and Lincoln's re-election was uncertain for a time; the second was the year of the bitter and doubtful struggle between Tilden and Hayes, and the third was the notorious free silver battle of 1896. In only the presidential years of 1860, 1872 and 1920 were money markets tight.

There is not much justification here for the theory that the outs have a good chance in bad years; or that an impending change in the White House finds some mysterious way of anteriorly registering itself in the condition of business. In fact, since the civil war not even rampant radicalism has exerted an adverse effect on business, except the Bryan free silver craze in 1896. Greeley, Weaver and La Follette didn't make a dent in 1872, 1880 and 1924.

It is impossible to escape the general conclusion, judging the future from the past, that 1928 has the odds in favor of being a good—even a bullish—year because, not in spite, of the fact that it is a presidential year. There seems to be nothing but parrot-talk to the notion that a presidential year is tendentially a poor business year. Insofar as it is justifiable to infer any tendency from the facts of past presidential years a presidential year ought, on the contrary, to have come to be hailed as inherently a good business and stock exchange year.

For Feature Articles to Appear in the Next Issue See page 829

New York Stock Exchange

RAILS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1927 High	Low	1928 High	Low	Last Sale 2/29/28	Div'd $ Per Share
Atchison	125⅝	90¼	111¼	70	200	91¾	195¾	182½	182⅞	‡7
Do Pfd.	106¾	96	102⅛	75	106¾	72	105¼	102½	104	5
Atlantic Coast Line	148½	102½	126	79⅞	268	77	186¼	167¼	169¾	‡7
Baltimore & Ohio	122¼	90⅝	96	88¼	125	27⅝	119	109	111	6
Do Pfd.	96	77¼	80	48¼	83	38½	84	80	†80⅛	4
B'klyn-Man. Transit	..	..	..	..	77⅞	9¼	62	53⅜	60¼	4
Do Pfd.	..	..	..	..	89¾	31⅜	88⅜	82	87½	6
Canadian Pacific	283	165	220⅛	126	219	101	215¾	198	204¾	10
Chesapeake & Ohio	92	51⅛	71	35⅝	218⅛	46	205¼	185⅞	190	10
C. M. & St. Paul ctfs	165½	96¾	107⅛	35	52¾	3¼	49⅛	48	48	..
Do. Pfd. ctfs.	181	130½	143	62½	76	7	60	59	59⅛	..
Chi. & Northwestern	198½	123	136⅞	85	105	45⅞	88¼	79¼	81½	4
Chicago, R. I. & Pacific	..	..	45¾	16	116	19⅛	112¼	106	109½	5
Do 7% Pfd.	..	..	94¾	44	111¾	64	110	106¼	†107½	7
Do 6% Pfd.	..	..	80	35¾	104	54	102⅛	100	101½	6
Delaware & Hudson	200	147½	159⅛	87	230	83¼	186	163¼	164¼	9
Delaware, Lack. & W.	340	192½	242	160	260½	93	140	129	132¼	‡6
Erie	61¼	33½	59½	18¾	69¾	7	66⅛	49⅝	52½	..
Do 1st Pfd.	49¾	26¼	54¾	15⅛	66¼	11⅛	63⅞	54	55	..
Do 2nd Pfd.	89⅛	19½	45⅝	13⅛	64½	7⅛	62	55	†52½	..
Great Northern Pfd.	157⅞	115½	134¾	79¼	103⅞	50⅝	98	93½	94	5
Hudson & Manhattan	..	..	..	..	65⅞	20⅝	57½	51	52⅞	2½
Illinois Central	162⅛	102¾	115	85¾	139⅜	80⅞	144¾	131¾	135½	7
Interboro Rap. Transit	..	..	..	..	53¾	9½	38½	29	35½	..
Kansas City Southern	50¼	21⅜	35⅛	13⅛	70½	13½	63⅛	49¼	54	..
Do Pfd.	75½	56	65½	40	73½	40	73⅞	70	70	4
Lehigh Valley	121¼	62½	87⅛	50⅜	137½	39½	97¾	84⅛	88⅜	3½
Louisville & Nashville	170	121	141⅞	103	159⅛	84¾	155	146	146	7
Mo., Kansas & Texas	*51⅛	*17½	*24	*3⅛	56½	*¾	41½	33⅛	36	..
Do Pfd.	*78¼	*46	*60	*6½	109½	*2	109	106⅛	106½	7
Missouri Pacific	*77½	*21½	38⅛	19⅞	62	8¼	53	41⅞	46	..
Do Pfd.	..	..	64⅞	37½	118⅝	22¼	115⅝	105	107½	..
N. Y. Central	147¾	90⅜	114¼	62½	171½	64⅛	164½	156	160	8
N. Y., Chi. & St. Louis	109¾	90	90¾	55	204½	23¾	137⅛	128	129	6
N. Y., N. H. & Hartford	174¾	65⅝	89	21⅛	63⅜	9⅝	67⅝	59⅝	61½	1
N. Y., Ontario & W.	55⅜	25⅛	35	17	41¾	14¼	32¾	24	25½	7
Norfolk & Western	119¼	84¼	147⅛	92⅝	202	84¼	192	179	179	‡8
Northern Pacific	150⅛	101¾	118⅞	75	102⅛	47⅞	98⅞	92⅜	94¾	5
Pennsylvania	75⅝	53	61½	40¼	68	32¼	65⅞	63	64¾	3½
Pere Marquette	*36½	*15	38⅛	9½	140¾	12⅛	131¾	124⅞	†127	8
Pittsburgh & W. Va.	..	..	40⅜	17¾	174	21⅛	147⅜	121¼	129½	6
Reading	89⅝	59	115⅛	60⅛	123¾	51⅞	105½	94¼	†97¼	4
Do 1st Pfd.	46¾	41¼	46	34	61	32⅞	43⅛	42½	†42	2
Do 2nd Pfd.	58¾	42	52	33¾	*65	32⅛	45⅛	44	†44	2
St. Louis-San Fran.	*74	*13	50⅛	21	117¼	10¾	115⅞	109	113	‡7
St. Louis Southwestern	40⅜	18½	32⅛	11	99	10⅞	73⅞	67½	72⅝	..
Seaboard Air Line	27½	13¼	22⅜	7	54¼	2⅛	30½	15⅛	15¼	..
Do Pfd.	56½	23½	58	15⅛	51½	3	38	22	22⅜	..
Southern Pacific	139⅛	83	110	75¾	126⅞	67½	124	117⅝	118½	6
Southern Railway	34	18	36¾	12⅛	149	24¾	147	139½	143½	8
Do Pfd.	86⅞	43	85¼	42	101⅛	42	102¼	99⅝	100¼	5
Texas & Pacific	40½	10¼	29½	6½	103⅞	14	119⅜	99½	113	..
Union Pacific	219	137¾	164⅜	101¼	197¾	110	196¼	186½	193¾	10
Do Pfd.	118⅛	79¾	86	69	85½	6¼	87¼	84¼	85¾	4
Wabash	*27⅞	*2	17⅛	7	81	6	66⅞	51	61¼	..
Do Pfd. A	*61¾	*6⅛	60⅛	30⅞	101	17	95	88⅛	†92	5
Do Pfd. B	..	..	32⅞	18	98	12¼	92⅛	87	†85	5
Western Maryland	*56	*40	23	9¼	67⅞	8	50¼	31¾	40⅞	..
Do 2nd Pfd.	*88¼	*53½	*58	20	67½	11	50	33½	†42½	..
Western Pacific	..	..	25⅛	11	47½	12	37½	28¼	†31½	..
Do Pfd.	..	..	64	35	86⅛	51½	62⅛	57⅛	†57½	..
Wheeling & Lake Erie	*12⅞	*2⅛	27⅜	8	130	6	77	75	†69	..
Do Pfd.	..	..	50⅝	16⅝	97	9¼	77	72	†72	..

INDUSTRIALS

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1927 High	Low	1928 High	Low	Last Sale 2/29/28	Div'd $ Per Share
Adams Express	270	90	154½	42	210	22	311¼	195	267¼	6
Ajax Rubber	..	..	89⅛	45⅛	113	4¼	14⅜	9¾	10¼	..
Allied Chem. & Dye	..	..	..	..	169¼	34	158½	146	150½	6
Do Pfd.	..	..	..	..	124	83	125¾	122¼	†123½	7
Allis-Chalmers Mfg.	10	7⅝	49⅛	6	118¾	26½	125	115⅛	†118	6
Am. Agric. Chem.	63⅝	33⅛	106	47¾	113¾	7⅛	21⅞	15⅝	18½	..
Do Pfd.	105	90	103⅛	89⅛	103	18	71⅜	55⅝	60¾	..
Am. Beet Sugar	77	19¾	108½	19	103¾	15⅛	17⅞	14⅞	†15⅜	..
Am. Bosch Magneto	..	..	..	..	143⅞	13	22⅞	15⅜	17½	..
Am. Can.	47⅜	6⅞	63⅛	19¼	*344½	*21¾	82⅜	70½	76⅞	2
Do Pfd.	129¼	98	114⅛	80	141¾	72	140⅛	136¾	140½	7
Am. Car & Foundry	76⅛	36⅛	98	40	*201	97½	111⅛	104	106	6
Do Pfd.	124¾	107½	119⅛	100	134¾	105¾	133½	130⅝	†131½	7
Am. Express	300	94¾	140½	77½	183	76½	195	169	†184	6
Am. Hide & Leather	10	3	22⅛	2½	43⅛	5	15⅝	10¾	†12¼	..
Do Pfd.	51⅞	15⅛	94⅞	10	142⅜	29¾	67⅜	52¼	55⅝	..
Am. Ice	..	..	49	8⅞	*139	25¾	34⅜	28	32¼	2½
Am. International	..	..	62⅜	12	132¼	17	89	71	75¼	2
Am. Linseed Pfd.	47¾	20	92	24	113	4⅛	96⅜	86½	†94¼	..
Am. Locomotive	74¾	19	98¼	46⅝	144⅞	58	115	107⅝	110¼	8
Do Pfd.	122	75	109	93	127	96½	128	125½	†128	7
Am. Metal	..	..	..	..	67⅜	36⅛	46⅛	40	40½	3
Am. Radiator	*500	*200	*445	*235	*345	64	143	130⅛	139¼	5
Am. Safety Razor	..	..	..	..	76⅜	*3⅛	58½	56	58	‡4
Am. Ship & Commerce	..	..	..	..	47½	2½	5⅜	3⅞	4⅝	..
Am. Smelt. & Ref.	105⅛	56⅝	123⅜	50¼	188¾	29¼	184⅛	169	172¾	8
Do Pfd.	74½	24⅛	95	44	133	18	135	131⅜	134½	7

Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913 High	Low	War Period 1914-1918 High	Low	Post-War Period 1919-1927 High	Low	1928 High	Low	Last Sale 2/29/28	Div'd $ Per Share
Am. Steel Foundries	116¾	98¼	118⅞	97	122⅜	41½	70⅜	53⅞	56½	3
Do Pfd.	..	..	..	..	115	78	115	112¾	120	7
Am. Sugar Refining	136⅜	99⅞	126½	89⅛	143⅜	36	78¼	55	61¾	..
Do Pfd.	133½	110	123½	106	119	67½	110¼	100	105	7
Am. Tel & Tel.	153⅜	101	134½	90⅝	185½	92⅛	181	176½	180	9
Am. Tobacco	*530	*200	*256	*123	*314½	82½	176	156⅜	165⅛	8
Do Com B.	..	..	..	..	*210	81¼	177	156⅛	164⅞	8
Am. Water Works & Elec.	..	..	..	..	*144	*4	61	52½	54⅛	1
Am. Woolen	40⅝	15	60⅞	12	169½	16⅛	24¾	20⅛	†22⅝	..
Do Pfd.	107¾	74	102	72½	111⅞	46⅞	62¼	49⅞	58½	..
Anaconda Copper	54⅜	27½	105⅜	24¼	77⅞	28½	59⅜	53¾	54½	3
Associated Dry Goods	..	..	28	10	140½	39⅛	48⅜	42	42	2½
Do 1st Pfd.	..	..	75	50½	112	49⅞	112⅛	111	†108	6
Do 2nd Pfd.	..	..	49½	35	114	38	119⅛	115¼	†115	7
Atl. Gulf & W. Indies	13	5	147¾	4½	192⅝	9¼	45⅝	37⅛	39½	..
Do Pfd.	32	10	74¾	9⅞	76½	6¾	44⅜	39	†39	..
Atlantic Refining	..	..	..	..	*1575	78½	109⅞	95¾	102⅞	4
Austin Nichols	..	..	..	..	40⅜	4¼	6⅛	4	5⅜	..
Do Pfd.	..	..	..	..	95	23½	39	26	34	..
Baldwin Locomotive	60¾	36½	154½	26⅝	265¾	62¼	258	242	†252	7
Do Pfd.	107½	100¼	114	90	125¼	92	121	118	118	7
Bethlehem Steel	*51⅝	*18¾	155½	59¾	112	37	62½	55⅛	58⅛	..
Do 7% Pfd.	80	47	186	68	108	78	121	120	120⅝	7
Brooklyn Edison Electric	134	123	131	87	225	82	235¾	206¾	225½	8
Brooklyn Union Gas	164½	118	138¾	78	157½	41	156¼	145	†146	5
Burns Brothers	45	41	161½	50	147	76	99⅞	93½	†94	8
Do B	..	..	..	..	53	16¼	17	16⅜	16½	..
Butte & Superior	..	..	105¼	12¼	37⅞	6½	12⅜	9	11	2
California Packing	..	..	50	30	*179½	48¼	79½	72⅜	†72¼	4
California Petroleum	72½	16	42⅝	8	*71⅞	15⅜	26⅞	24	26	1
Cerro de Pasco Copper	..	..	55	25	73½	23	69⅞	62½	63	4
Chile Copper	..	..	39¼	11¼	44⅜	7	42⅞	37¾	38⅞	2½
Chrysler Corp.	..	..	..	..	*253	38½	63	54¾	58	3
Do Pfd.	..	..	..	..	116	100½	115⅛	113⅝	†114	8
Coca Cola	..	..	..	..	177¾	18	137⅝	127	132½	5
Colorado Fuel & Iron	53	22½	66½	20½	96⅜	20	84½	66½	68½	..
Columbia Gas & Elec.	..	..	54⅛	14¼	*114⅞	30¼	97⅜	89⅝	91½	5
Congoleum-Nairn	..	..	..	*184⅜	*184⅜	12½	29⅛	23⅜	24⅝	..
Consolidated Cigar	..	..	..	..	87¼	11⅜	85	79½	83¼	7
Consolidated Gas	*165¼	*114½	*150½	*112½	*145¾	56¾	139¾	119⅜	131	5
Continental Can	..	..	*127	*37½	*131¾	34⅜	92½	80¼	88½	5
Corn Products Refining	26½	7⅜	50½	7	*160½	21½	71⅝	64⅜	67	3
Do Pfd.	98½	61	113½	58⅛	142¼	96	140⅜	138½	†138½	7
Crucible Steel	19⅝	6½	109⅞	12¼	*278½	48	93	83⅝	86⅜	6
Cuba Cane Sugar	..	..	76⅜	24⅞	59⅜	4⅞	7¼	5⅛	6⅜	..
Do Pfd.	..	..	100½	77¼	87	13⅛	32⅜	24	28½	..
Cuban-American Sugar	*58	33	*273	*33	*605	10⅞	23⅜	19⅛	21¼	1
Cuyamel Fruit	..	..	..	..	74½	30	55¾	51	52½	..
Davison Chemical	..	..	..	..	81¼	20⅜	46⅝	34⅜	37	..
Dupont de Nemours	..	..	..	..	*360	105	335	310	327	10
Eastman Kodak *	*No Sales		*605	*690	*890	70	171½	163	164⅝	‡5
Electric Storage Battery	*64¼	*42	*78	*42¼	*153	37	75⅜	69	71	‡5
Endicott-Johnson	..	..	..	..	150	44	82⅞	75¾	79⅜	5
Do Pfd.	..	..	..	..	125	84	124⅜	121¼	†123⅛	7
Fisk Rubber	..	..	..	..	55	5⅛	17⅜	14⅜	15⅜	..
Do 1st Pfd.	..	..	..	..	116⅛	38⅛	91½	86	86	..
Fleischmann Co.	..	..	..	..	*171½	46⅛	74½	66	68¾	3
Foundation Co.	..	..	..	..	183¾	35½	51¾	43	†44	..
Freeport-Texas	..	..	70½	25¾	106½	7½	109¼	65⅝	71	‡4
General Asphalt	42⅞	15½	39⅜	14¼	160	28	93¼	71¼	78⅜	..
General Cigar	..	..	..	..	*115¼	46	75⅜	67	70	4
General Electric	188½	129¾	187¼	118	*386½	81	138¼	124	128¾	‡5
General Motors	*51¾	*25	*850	*74½	*282	*8⅛	139½	130	136⅞	‡5
Do 7% Pfd.	..	..	..	125¾	125¾	95⅛	126⅝	123½	124½	7
Goodrich (B. F.) Co.	86½	15⅛	80¼	19⅝	96⅛	17	99⅜	80	82	4
Do Pfd.	109¾	73⅜	116¾	79⅞	111½	62½	112¼	109½	†109⅞	7
Goodyear T. & R. Pfd.	..	..	..	..	72½	5	72½	57¼	62	..
Do Pfd.	..	..	..	..	99⅛	92½	99½	97¾	98½	7
Granby Consolidated	78¼	26	120	58	80	12	43½	39⅛	89¾	..
Great Northern Ore Ctfs.	88½	25½	50⅜	22½	52¾	18	25	21⅝	23	1½
Gulf States Steel	..	..	137	58¾	104⅝	25	57¾	51	51¾	..
Houston Oil	25½	8	86	10	175¾	40½	156⅛	127	133	..
Hudson Motor Car	..	..	..	..	139⅛	19½	89	75	85¾	5
Hupp Motor Car	..	..	11	2½	36¼	4⅝	41¾	29	38⅞	1.40
Inland Steel	..	..	..	..	62⅜	31⅛	63	47½	47½	‡2½
Inspiration Copper	21⅝	13⅞	74¾	14¼	68⅞	20¾	21⅝	18	18⅜	..
Inter. Business Mach.	..	..	52⅝	24	*176¼	28¾	147¾	114	128⅛	5
Inter. Combustion Eng.	..	..	..	..	69½	19⅝	55⅞	45¼	48½	2
Inter. Harvester	..	..	121	104	255⅝	66¾	247¾	224¾	232½	‡6
Inter. Mercl. Marine	9	2⅛	50⅝	⅝	67¾	3½	5⅜	4	4	..
Do Pfd.	27⅝	12½	125⅝	8	128½	18½	44⅝	34¼	35¾	..
Inter. Nickel	*227¼	*135	57½	24½	89½	24¼	99¾	73⅝	81¾	2
Inter. Paper	19¾	6½	75½	9½	91¾	27⅞	78½	67⅛	71¾	2.40
Kelly-Springfield Tire	..	..	85	36⅞	164	9	27⅜	15	18½	..
Do 8% Pfd.	..	..	101	72	110	33	84	55¼	†63	..
Kennecott Copper	..	..	64¼	25	90⅜	14⅝	87⅜	80⅛	82	5
Kinney (G. R.) Co.	..	..	..	..	103	19¾	52	38½	†45⅛	..
Lima Locomotive	..	..	..	..	76⅜	49	65¼	54⅜	55	4
Loew's Inc.	..	..	..	..	63⅞	10	63⅞	57	59½	3
Loft, Inc.	..	..	..	..	28	5	7¾	5¾	7⅛	..
Lorillard (P.) Co.	*215¼	*150	*239⅞	*144½	*245	23½	40¼	35⅞	38½	..
Mack Trucks	..	..	..	..	242	25½	107⅞	91¼	93¾	6
Magma Copper	..	..	..	..	58¾	26⅛	56⅛	43¾	45½	3
Mallinson & Co.	..	..	..	..	45	8	23¼	16	22⅝	..
Maracaibo Oil Explor.	..	..	..	..	37½	12	18⅛	12½	14⅜	..
Marland Oil	..	..	..	..	63⅜	12⅛	38⅜	33	35⅜	..
May Department Stores	*88	*65	*97½	*35	*174¾	*60	85⅜	78	79	4
Mexican Seaboard Oil	..	..	..	..	34½	3	8⅝	4⅝	8¼	..
Miami Copper	30¼	12¾	49¾	16½	32¾	8	19½	17¾	18⅛	1½
Montgomery Ward	..	..	..	..	123⅛	12	149¼	117	131¼	‡4
National Biscuit	*161	*96½	*139	*79⅞	*270	35⅝	182	162¼	165	6
National Dairy Prod.	..	..	..	..	81⅞	30⅛	72½	64½	67½	3

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New York Stock Exchange
Price Range of Active Stocks

INDUSTRIALS—Continued

	Pre-War Period 1909-1913		War Period 1914-1918		Post-War Period 1919-1927		1928		Last Sale 2/29/28	Div'd $ Per Share
	High	Low	High	Low	High	Low	High	Low		
National Enam. & Stamp	30¼	9	54½	9	89½	18½	30⅝	23⅞	†26	..
National Lead	91	42½	74⅝	44	*202¾	63½	136	124	124	5
N. Y. Air Brake	98	45	136	55⅞	*145¾	26⅝	50½	43½	45	3
N. Y. Dock	40¼	8	27	9¼	70¾	15¼	64¼	52	†53¾	..
North American	*87⅞	*60	*81	*38⅞	*119½	17½	62⅛	58⅝	61½	§10%
Do Pfd.	..	..	..	..	55	31⅞	55	53¼	54⅝	3
Packard Motor Car	..	..	..	..	62	9⅞	63⅛	56¼	60¼	3
Pan.-Am. Pet. & Trans.	..	..	70¾	35	140¼	38⅛	46⅜	38¼	44¼	..
Do Class B	..	..	..	..	111¾	34⅛	46¾	37¾	43½	..
Paramount-Fam. Players-Lasky	..	..	..	..	127½	40	117¾	111¼	116⅝	8
Philadelphia Co.	59	37	48⅞	21⅛	153½	26½	160	149¼	†145	4
Phila. & Reading C. & I.	..	..	..	..	54¼	34½	39¾	28¼	38	..
Phillips Petroleum	..	..	..	..	69⅝	16	43½	35¼	38⅝	1½
Pierce-Arrow	..	..	65	25	99	6⅛	15⅝	10½	11¾	..
Do Pfd.	..	..	109	88	127¼	13½	53½	39⅞	44⅞	..
Pittsburgh Coal	*29¾	*10	58¾	37½	74⅝	29	53½	41¼	46¾	..
Postum Co.	..	..	..	..	*134	*47	129⅝	118	121½	5
Pressed Steel Car	56	18⅛	88	17¼	113¾	34⅛	26⅞	22	†22½	..
Do Pfd.	112	88½	109⅛	69	106	67	88	80	85	7
Pub. Serv. N. J.	..	..	..	..	*98⅞	*29	45	41½	43⅞	2
Pullman Company	200	149	177	106½	*199½	*87¼	85⅝	79½	81⅛	4
Punta Alegre Sugar	..	..	51	29	120	24¾	34⅞	28⅛	31½	..
Pure Oil	..	..	143⅞	81⅞	61⅞	16¼	27½	19	21¼	.50
Radio Corp. of America	..	..	..	..	101	25⅞	104¾	85¼	95	..
Republic Iron & Steel	49½	15¾	96	18	145	40⅛	69¾	56	60¼	4
Do Pfd.	111¼	64⅛	112⅝	72	106¾	74	112	105	†107	7
Royal Dutch N. Y.	..	..	86	56	123⅜	40⅜	48¾	44⅝	46⅛	1.343
Savage Arms	..	..	119¾	39⅞	108⅜	8⅞	75	60⅝	†64¾	4
Schulte Retail Stores	..	..	..	..	*134⅞	47	53⅜	49⅞	50⅝	3½
Sears, Roebuck & Co.	*124¾	*101	*233	*120	*243	51	92½	82⅛	85¾	2½
Shell Trans. & Trading	..	..	..	..	90¼	29½	43¼	39⅜	43	.97
Shell Union Oil	..	..	..	..	31¾	12⅛	26⅞	23¼	25⅝	1.40
Simmons Company	..	..	..	..	64¾	22	66⅞	58⅜	59½	2
Simms Petroleum	..	..	..	..	28½	6⅛	24¾	18⅛	21¼	..
Sinclair Consol. Oil	..	..	67⅛	25¼	64⅛	15	21¼	17⅜	20¼	..
Skelly Oil	..	..	..	..	37⅛	8⅝	28¼	25	26	2
Sloss-Sh. Steel & Iron	94⅝	23	93¼	19⅛	148½	32⅛	134	116½	126	6
Standard Oil of Calif.	..	..	..	..	*135	47½	56⅝	53	54¼	2½
Standard Oil of N. J.	*488	*322	*800	*355	*212	30⅞	40¼	37¾	38⅞	1½
Stewart-Warner Speed	..	..	*100½	*43	*181	21	85½	77¼	80½	6
Stromberg Carburetor	..	..	45¼	21	118¼	22⅛	56⅛	44	46½	2
Studebaker Company	49⅛	15¾	195	20	*151	30½	67¼	57	62½	5
Do Pfd.	98⅛	64½	119½	70	125	76	126½	121½	121¾	7
Tennessee Cop. & Chem.	..	..	21	11	17¼	6¼	11¼	10½	10⅞	.50
Texas Company	144	74½	243	112	58	29	55¾	50	53⅛	3
Texas Gulf Sulphur	..	..	..	..	*184	32⅝	80⅝	68⅛	72⅜	4
Tex. & Pac. Coal & Oil	..	..	..	..	*275	12	17	12½	13¾	..
Tide Water Oil	..	..	225	165	*195	5½	17¼	14¾	19⅞	..
Timken Roller Bearing	..	..	..	..	142½	28½	134	113⅜	118½	‡4
Tobacco Products	145	100	82⅜	25	117⅝	45	114½	102⅛	106⅝	7
Do Class A.	..	..	..	..	123⅞	76	128	113	120	7
Transcontinental Oil	..	..	..	..	62⅝	1¼	10⅛	7⅛	8	..
Union Oil of Calif.	..	..	..	..	58⅜	33	45¾	42¾	44½	‡2
United Cigar Stores	..	..	*127⅞	*8⅜	*255	42½	34⅝	30¾	31½	‡.80
United Drug	..	..	90⅞	64	200½	46¼	204½	190	193⅛	9
Do 1st Pfd.	..	..	54	46	61	36⅝	60½	59⅛	59¼	3½
United Fruit	208½	126⅛	175	105	*294	95¾	142¾	136	139⅞	‡4½
U. S. Cast I, Pipe & F.	32	9¼	31⅞	7¾	250	10½	222¼	190⅛	196	10
Do Pfd.	84	40	67⅛	30	125	38	120⅛	116⅝	†116	7
U. S. Indus. Alcohol	57¼	24	171½	15	167	35½	117¾	102¾	109¼	5
U. S. Realty & Imp.	87	49¾	63¾	8	*184½	17	68¾	61¼	64⅞	4
U. S. Rubber	59½	27	80½	44	143¾	22⅛	63¼	45⅝	47⅝	..
Do 1st Pfd.	123½	98	115½	91	119½	66⅛	109⅜	92½	95⅜	8
U. S. Smelt., Ref. & M'n	59	30⅜	81⅛	20	78¼	18⅜	45⅛	39½	40	3½
U. S. Steel	94⅞	41¼	136⅝	38	160⅛	70¼	152¾	138⅛	139⅜	7
Do Pfd.	131	102⅛	123	102	141¼	104	142	138⅝	139¾	7
Utah Copper	67⅛	38	130	48½	162	41⅛	158	139	†143	6
Vanadium Corp.	..	..	..	..	97	19⅛	94½	60	78½	‡3
Western Union	86¼	56	105½	53⅜	176	76	177⅛	165	166	8
Westinghouse Air Brake	141	132½	143	95	*198	40	57⅜	46⅛	50¾	2
Westinghouse E. & M.	45	24¾	74⅞	32	94¾	38⅞	100⅜	88⅛	92¼	4
White Eagle Oil	..	..	..	..	34	20	24¼	20⅛	21	1
White Motors	..	..	60	30	104⅛	29¼	41⅜	30¼	34	1
Willys-Overland	*75	*50	*325	15	40¼	4⅛	20⅞	17¾	18⅞	..
Do Pfd.	..	..	100	69	123⅞	23	95⅞	92¾	95¾	7
Wilson & Co.	..	..	84¼	42	104⅞	4⅛	16	11½	14	..
Woolworth (F. W.) Co.	*177⅞	*76⅛	*151	*81½	*345	72½	194	175⅛	180¾	5
Worthington Pump	..	..	69	23½	117	19	34⅛	28	28⅛	..
Do Pfd. A	..	..	100	85⅞	98½	44	55	46¼	†49	..
Do Pfd. B	..	..	78⅜	50	81	37	49⅛	41	†43	..
Youngstown Sh. & Tube	..	..	..	..	100⅛	59¾	106⅞	93	94	5

† Bid price. ‡ Not including extras. § In stock. * Old stock.

Securities Analyzed, Rated and Mentioned in This Issue

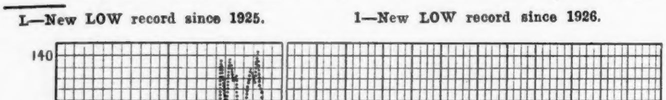
Important Corporation Meetings

	Specification	Date of Meeting
Simms Petroleum	Directors	3-9
E. I. du Pont de Nemours	Annual	3-12
First National Pictures	Directors	3-12
Gulf, Mobile & Northern	Annual	3-12
Household Products	Annual	3-12
Independent Oil & Gas	Annual	3-12
Liggett & Myers Tobacco	Annual	3-12
Loose-Wiles Biscuit	Annual	3-12
Minn., St. P. & Slt. Ste. Marie	Direct's	3-12
Paramount Fam. Lasky	Directors	3-12
Beech-Nut Pkg.	Annual	3-13
O. Eisenlohr & Bros.	Annual	3-13
Fleischmann	Annual	3-13
Gardner Motor	Annual	3-13
Houston Oil of Texas	Annual	3-13
Kelly-Springfield	Annual	3-13
Kansas City Term. Ry.	Annual & Dir's	3-13
Lorillard (P.) Co.	Annual	3-13
Motor Wheel	Annual	3-13
Prophylactic Brush	Annual	3-13
Sun Oil	Annual	3-13
John R. Thompson Co.	Dividend	3-13
United Drug	Annual	3-13
Air Reduction	Annual	3-14
Amer. Sugar Rfg.	Annual	3-14
Chandler-Cleveland Motors	Annual	3-14
Congress Cigar	Annual	3-14
Devoe & Raynolds	Pfd. & Com. Divds.	3-14
Federal Lt. & Tr.	Annual & Directors	3-14
Pacific Coast	Annual	3-14
Postum	Annual	3-14
Reynolds Spring	Annual	3-14
Am. Safety Razor	Annual	3-15
Ahumada Lead	Annual	3-15
Barnsdall	Annual	3-15
Borden	Special	3-15
Century Ribbon Mills	Annual	3-15
Inland Steel	Special	3-15
Youngstown Sheet & Tube	Special	3-15
Southern Calif. Edison	Annual	3-16
Coty	Annual	3-19
Intertype	Annual	3-19
Ludlum Steel	Annual	3-19
Amalgamated Leather	Annual	3-20
Atlas Powder	Annual	3-20
Curtiss Aeroplane & Motor	Annual	3-20
International Nickel	Annual	3-20
General Cable	Annual	3-20
Loft	Annual	3-20
West. Maryland	Annual	3-20
Diamond Match	Annual	3-22
International Silver	Annual	3-22
Van Raalte	Annual	3-22
Victor Talking Machine	Directors	3-23
Transcontinental Oil	Annual	3-24

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1928 Indexes (308 Issues) High	1928 Indexes (308 Issues) Low	Recent Indexes Feb. 18	Recent Indexes Feb. 25	1927 Indexes (264 Issues) Close	1927 Indexes (264 Issues) High	1927 Indexes (264 Issues) Low
308	COMBINED AVERAGE	117.7	109.2	109.2	112.1	116.3	116.3	95.7
39	Railroads	132.8	119.5	119.5	125.3	132.0	140.2	96.5
2	Agricultural Implements	300.6	280.5	280.5	286.2	300.0	(Begun 1928)	
2	Alcohol	177.6	154.6	154.6	158.0	172.1	175.3	82.1
12	Automobile Accessories	93.6	86.4	86.4	88.5	91.6	96.8	75.6
17	Automobiles	89.8	79.0	79.0	80.7	89.8	89.8	70.1
2	Baking (1926 Cl.—100)	76.1	66.2	66.2	66.9	69.4	100.6	58.0
2	Biscuit	194.5	180.2	180.2	180.5	187.0	(Begun 1928)	
4	Business Machines	171.2	153.7	163.3	165.5	159.1	160.2	108.5
2	Cans	128.5	117.2	123.3	124.9	119.9	119.9	77.3
4	Chemicals & Dyes	166.2	158.5	158.5	161.5	166.1	168.9	132.0
2	Coal	108.0	88.1	88.1	96.0	108.0	(Begun 1928)	
12	Construction & Bldg. Material	101.1	94.4	94.4	95.7	99.5	101.3	78.9
12	Copper	177.6	159.8	159.8	164.8	177.8	179.5	105.9
2	Dairy Products	74.0	68.1	68.1	72.2	70.4	80.0	59.8
3	Department Stores	68.0	63.7	64.4	63.7-L	68.0	86.0	64.5
7	Drugs & Toilet Articles	164.1	157.2	157.2	164.1	162.0	171.2	147.3
5	Electric Apparatus	130.2	125.6	125.6	127.2	129.6	129.6	97.6
3	Fertilizers	87.6	78.9	78.9	79.9	84.0	85.7	47.8
2	Five & Ten Cent Stores	106.8	98.0	98.0	99.8	106.8	111.5	69.6
3	Furniture	131.5	119.5	119.5	127.1	127.4	127.4	89.1
5	Household Appliances	97.0	91.6	91.6	92.6	97.0	(Begun 1928)	
2	Mail Order	166.2	147.9	156.4	154.7	149.3	152.3	82.8
4	Marine	79.6	71.5	73.7	72.0	74.9	113.4	69.5
5	Motion Pictures	105.9	98.3	98.3	102.9	102.9	120.3	96.3
36	Petroleum & National Gas	99.5	86.1	86.1-L	89.6	95.6	103.5	86.9
17	Public Utilities	139.1	127.9	133.8	136.9	129.5	132.5	93.1
10	Railroad Equipment	128.9	119.6	119.6	122.0	128.9	128.9	100.3
2	Restaurants	105.5	91.7	91.7	93.6	104.0	(Begun 1928)	
2	Shoe & Leather	150.0	138.3	140.4	149.1	138.3	152.3	69.8
2	Soft Drinks (1926 Cl.—100)	167.1	152.9	157.9	158.6	152.9	(Begun 1928)	
11	Steel & Iron	92.5	86.3	86.3	87.2	88.7	92.0	74.8
6	Sugar	89.5	73.0	73.0-L	77.1	89.5	112.7	76.9
2	Sulphur	386.9	293.1	293.1	304.6	381.7	381.7	166.1
2	Telephone	124.2	120.8	120.8	121.3	123.8	127.1	104.6
4	Textiles	90.6	79.0	87.6	90.6	79.0	106.5	71.9
7	Tires and Rubber	99.6	79.2	80.4	79.2	96.6	97.8	64.4
8	Tobacco	190.3	171.8	172.4	171.8	190.3	193.6	159.9
4	Traction	118.5	103.8	107.2	108.6	107.6	130.0	107.6
42	Unclassified (1927 Cl.—100)	104.7	98.2	98.2	100.4	100.0	(Begun 1928)	

L—New LOW record since 1925. 1—New LOW record since 1926.



(An unweighted Index of weekly closing prices, specially designed for investors. The 1928 Index includes 308 issues, distributed among 38 leading industries, and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments; and reflects all important price movements with a high degree of accuracy. Our method of making annual revisions in the list of stocks included, renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

Dividends

ANSWERS TO INQUIRIES

(*Continued from page 872*)

time to time. The shares seem to have definite merit for the long pull, and we believe patient shareholders will be well rewarded.

SEARS, ROEBUCK

Please advise me regarding Sears, Roebuck common stock on which I have over $30 a share profit on 50 shares. Would you hold on to this stock? What is the company's outlook for next year?—H. P. G., Milwaukee, Wis.

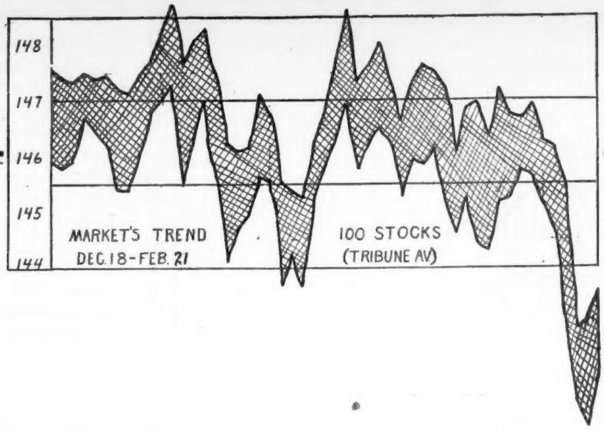
In continuation of consistent yearly expansion in both net sales and earnings since the sub-normal 1921 year, Sears, Roebuck reported earnings for 1927 equal to $5.96 a common share against $5.21 a share in 1926. The company has been engaged in an extensive expansion program in recent years, the success of which is well reflected in income account. In addition to establishing branch mail order distributing plants throughout the country, the operation of retail stores has begun, 10 of which are now established. Expansion in the chain store field is expected both to stabilize business and to continue the upward trend of sales and profits enjoyed in former years. By virtue of a conservative dividend policy a large surplus has been built up, and larger dividends or something in nature of an extraordinary disbursement seems warranted whenever directors so elect. While present prices of the shares discount favorable progress some distance ahead, the stock seems to have definite merit for the extreme long pull.

WESTINGHOUSE ELEC. & MFG.

I have been a stockholder in Westinghouse Electric for several years. My recollection is that I paid 71 for the stock. Is there any likelihood of the company increasing its dividend? I have been told that earnings are considerably in excess of requirements.—A. L. S., Brooklyn, N. Y.

Westinghouse Electric & Manufacturing ranks second only to General Electric in handling a widely diversified line of electrical products which is continually being increased as new types and models are developed. Capitalization is represented by 30 millions funded debt, followed by 79,974 shares of participating preferred stock and 2,290,089 shares of common stock, both latter issues being of $50 par. Both stocks share alike in dividends after $3.50 a share annually has been paid on the common. As a result of operations in the nine months ended December 31, 1927, earnings were equal to $4.92 a share on the combined shares. Profits have shown marked stability over a long period of years, with the general tendency upward. However, while financial condition is excellent, and current dividends are afforded an adequate margin of safety, increased

(*Please turn to page 890*)



are stocks again a purchase?

or will the market go lower?

On the last two important breaks in the market, August 12th and October 24th, the American Securities Service recommended purchases. These breaks proved technical only; the market turned strong and advanced in both cases over 10 points.

Stocks have now sold down sharply, the last two weeks. Numerous issues—as U. S. Steel, Atlantic Coast Line, General Railway Signal and Delaware & Hudson—are down 10 to 30 points.

Meanwhile reports of unemployment are heard, the Federal Reserve Board has raised the rediscount rate, in trade circles it is said the new steel prices may not hold, etc. What does this mean?

Are fundamental conditions, as in steel and motor centers, in fact poorer than most investors have found out—with consequent lower market prices ahead, and stocks a sale on every rally?

Or is this once more a technical reaction merely, to be followed by new high prices—and stocks again a purchase, now?

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(*Continued from page* 888)

disbursements do not seem in prospect at this writing. Nevertheless, the moderate current income return is offset to an appreciable extent by rather definite assurance of future growth of equities represented by the shares, with consequent higher market quotations. We would counsel holding for the long pull.

N. Y., N. H. & HARTFORD

Now that New Haven has paid a dividend on the common stock, do you think that the stock should sell much higher or is the present price a thorough discount of what the company is likely to do for its stockholders?—R. A. H., Memphis, Tenn.

To say the least, the progress made by the New York, New Haven & Hartford Railroad has been most impressive and decidedly encouraging to many of the road's shareholders who have patiently stayed with their company through all its troubles and vicissitudes. Earnings, last year, according to preliminary reports were equal to $6.08 per share of common stock. Assuming the same corporate set-up in 1926, this would be a gain of about $1 per share over results in the latter year. Gross revenues last year declined about 2½%, which was offset, however, by reduced maintenance and transportation costs. The new preferred stock was outstanding only in the last three months, and if dividends for the full year had been charged against earnings, net would have been reduced to about $4.45 per share. On this basis the failure of directors to inaugurate dividends at an annual rate, preferring to make a special disbursement of $1, is not surprising. A regular $4 rate, however, is well within the realm of possibility in the not distant future. A savings in interest charges will be effected this year, the past winter has been a mild one, thus obviating the necessity of heavy charges for snow removal, and the possibility of a return on its investment in the Connecticut Co. and Boston & Maine is not an unlikely one. These facts together with the desire to strengthen the credit of their company to permit of favorable refunding operations should influence directors toward making every effort to place the shares on a definite dividend basis. Present quotations for the common seem high enough for the present but the shares have sound merit for the longer pull.

NATIONAL CASH REGISTER

I purchased National Cash Register stock about a year and a half ago at 51 and have been disappointed at the way it has acted. Of course, I bought it around the high for the year. Thereafter it went down below 40 and it had a very slow comeback. I own the stock outright and I am in a position to hold it indefinitely.—T. A. K., Cincinnati, Ohio.

The final report of National Cash Register Company for 1927 should show earnings equal to about $7 on the class A shares as compared with $6.15 in 1926. Earning about 14% on their present market price, and covering

dividends better than twice over, the A shares would seem to be undervalued at this time. We would point out, however, that the B shares, which do not pay dividends at this time, are entitled to $3 per share annually before any increase in payments to A shareholders can be made. With both issues paying $3, they participate equally in any further disbursements. This feature tends to detract from the A shares. While an attractive return is obtained and the issue might be retained for income purposes, we do not look for material appreciation in market value in the near future.

GENERAL MOTORS

Would you advise the purchase of General Motors around current price of $135? I have heard that the cash and security holdings are likely to set new high records this year. Does this mean there is likely to be another stock dividend or big cash dividends?—V. A. L., Chicago, Ill.

The General Motors Corporation under the capable guidance of an energetic management, has attained the foremost position in the automobile industry and is one of the strongest industrial enterprises in this country. 1,554,577 units were manufactured and sold in 1927 both in this country and abroad and the value of gross sales was in excess of $1,269,500,000 or a gain of 20% over the previous year. Net after all prior charges and reserves was equal to $12.99 per share of common stock, as against $10.90 in 1926, or an increase of over 20%. Financial position was practically impregnable and with plants operating at maximum efficiency, the company entered the current year exceedingly well equipped to guard its premier position against competition of the most aggressive character. Products of the company include a passenger car in every price group and a line of heavy duty and high speed trucks, in the manufacture of which a decided advantage is gained by control of subsidiary companies engaged in the manufacture of bodies and accessories. Plans for the current year will in all probability result in record breaking production and with a very encouraging start in January, sales being 25% greater than in January of 1927, another favorable year seems forecast. The Ford menace to the company's present prestige in the field of low priced cars, is slow in materializing and deferred buying which has been waiting for new Ford models might conceivably become impatient, to the ultimate advantage of General Motors. The shares, for the present, seem high enough, but admittedly the aspect might be materially changed as a result of ensuing developments, the possibility of which is too strong to be disregarded. We would, however, counsel patience for the time being before making fresh commitments. The possibility of extra dividends will be contingent upon the earnings reported in later months.

(*Please turn to next page*)

Keep Posted

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PRAIRIE OIL & GAS

What is the outlook for Prairie Oil & Gas? A friend of mine recommended its purchase to me in 1925 and I invested in 100 shares which cost me $6,650. I now have a rather substantial loss and I am beginning to lose faith in the stock regaining its former price level.—H. J. N., Princeton, Ky.

The uncertain attitude which you hold may be said to be typical of many investors who have watched their oil securities gradually depreciate in value, as a result of the failure of conditions, which at first seemed to be the result of temporary over-production, to correct themselves. The continuation of low crude prices and the absence of any indication of real relief has had the effect of placing oil shares in a rather vulnerable position. Many companies are undoubtedly in distress but we would not include Prairie Oil & Gas in that category. The company is largely a purchaser of crude oil, although it has a daily production of about 25,000 barrels. In that capacity, present low prices for crude afford a favorable opportunity to store large supplies, awaiting a more favorable market. The company has a storage capacity for about 60,000,000 barrels and the necessity of tying up a considerable portion of working capital in inventories led to the omission of dividends last year. There are no capital liabilities aside from $60,000,000 in capital stock, financial position is sound, and, while earnings are not expected to be in excess of $1 per share last year, we would be inclined to advise present holders in a position to employ patience, to retain their commitments rather than sacrifice them at current depreciated levels. Admittedly, the shares are primarily attractive for the longer pull and market price recovery will be contingent upon faforable developments not now in sight, but it is also possible they are now selling to discount all of the existing factors of an adverse nature.

STUDEBAKER

How is Studebaker likely to come out this year in the way of earnings and dividends? I notice that some of the automobile stocks are going up and that the big executives in the industry are forecasting a record year for automobiles. I have some Studebaker bought about 10 points below the present market. I am holding it as an investment. Is it safe?—G. F. D., Cleveland, Ohio.

At this writing the complete report of Studebaker Corporation covering last year's operations is not available but from reliable information it is probable that net profits applicable to the common stock will be equal to about $7 per share. The balance sheet will undoubtedly reveal an unquestionably sound financial position and with dividend being covered by a fair margin of safety, it would appear that the junior shares were selling at levels lower than justified by their intrinsic merit. This rather unusual situation under present investment conditions might be attributed to several factors. Primarily, the factor which is more likely to retard motor shares, is the foregone likelihood of extremely strenu-

ous competition, with ensuing loss of sales to many companies and reduced profit margins. Moreover, it would appear that Studebaker, in more recent years, has been affected by the changing tides of public favor and a degree of former prestige which its various models enjoyed has been lost. On the other hand, the management has been aggressive in effecting reduced operating costs, several new models have been introduced and the present volume of sales, both foreign and domestic, is reported to be very encouraging. Pending definite evidence of satisfactory earnings, the shares may continue to "mark time" and their attractiveness for a liberal income is somewhat tempered by the degree of uncertainty in the current outlook. Shareholders, however, in position to keep in close touch with developments, seem warranted in retaining.

INTERNATIONAL PAPER COMPANY

(Continued from page 856)

have a developed capacity of 44,000 h.p. and resources to provide for the further development of 300,000 h.p. Through the recent purchase of properties in Newfoundland, the company obtained the entire junior stock interest in a 98,000 h.p. development, a 400-ton newsprint mill and 2,808 square miles of timber rights.

Thus, International Paper in less than half a decade has become one of the biggest hydro-electric enterprises on the North American continent. It owns more and larger hydro-electric projects than any other system, but the territory served is not as much built up as that of some of the new utility holding companies operating exclusively in the United States and more of its output is being sold for commercial than for domestic purposes.

As the company stands now, it is far from a finished entity. The end of its expansion is not in sight; and the eventual relation between earnings and capitalization remains to be established.

Earnings Position

Earnings in 1927 are understood to have been approximately $2.00 a share on the 1,000,000 shares of common stock issued, or about $2.60 a share on the average number of common shares outstanding during the year. In 1928, with Gatineau producing more current, International Paper of Canada producing more newsprint, some income from the Newfoundland venture, a larger dividend return from the increased investment in New England Power Association, and a number of other ventures further developed, the net for the common stock should be larger. At present the paper situation is more satisfactory than a year ago, so a bigger net should be obtained from

the older paper units. To make any estimate of this year's profits at this time, of course, would be folly.

The management has kept down funded debt through the sale of additional common and preferred shares of the parent company and its larger subsidiaries. Many of the undeveloped and semi-developed properties are absolutely unmortgaged, and most of the units which are mortgaged could stand a larger funded debt.

Considering the stage of development, common dividend policy is liberal; but it seems to be the aim of the directors to keep the common stock attractive in order that further funds may be obtained from time to time through the sale of additional shares. Stock offerings from time to time already have provided valuable income return to shareholders through the cash value of subscription rights. Probably stockholders can count on further rights to supplement dividend return. It is a matter of record that the rights offered for the past two years have had a cash value of around $16 a share.

In times when stock market prices are under suspicion, future prospects are not as effective in creating quoted values as in times when the speculative urge is keen. This alone explains the late irregularity in International Paper common. The stock, of course, has been selling high in relation to current earnings; but it represents ownership of the residuary equity in the earnings of a vast system of power and paper enterprises which promise to develop an earning power more than justifying the prevailing price.

It is an attractive long pull speculative holding.

AN OBJECT LESSON IN BANK INVESTMENTS

(*Continued from page* 868)

ketability because they do not fluctuate in value to any large degree and can always be sold without serious loss of principal. Good securities have collateral value as well, that is, one can make a loan at the bank by pledging good stocks or bonds to secure the loan. Certain forms of life insurance also have a very good loan value. Building and loan shares are not as readily turned into cash as a savings bank account, but most of the better associations always stand ready to repurchase their shares on payment of a small penalty or to grant a loan to the shareholder if the cash is needed before the shares mature. On the other hand real estate mortgages, particularly mortgages that are placed privately, and speculative stocks cannot be depended upon for their ready conversion into cash when the cash is demanded. So follow the example set forth by the banker and look to marketability as well as safety in your investments.

TRADE TENDENCIES

(Continued from page 870)

able tonnage which has booked well into the second quarter.

Finished steel prices are firm, but as yet, especially where higher differentials have definitely been announced, prices have not received a thorough test. A large number of consumers are making liberal purchases against contracts made at prices considerably under those now obtaining. Consequently the buying now in progress has merely had a nominal effect on price structure, so that any large orders may compel producers to offer concessions. Buyers are optimistically inclining to the belief that the time for a general upward revision in the price situation is a long ways off and as a result are in no hurry to place specifications. This may prove unwise in the long run for only by marking up quotations can steel manufacturers hope to show compensating profits over the year of 1927.

Railroad buying is holding up well and rail mills have sufficient orders on hand to enable them to keep working on active schedules for some time to come. Equipment purchases, on the other hand, have not come up to expectations, although a fair amount of business is being done. The automotive industry continues to buy steel in good sized quantities and demand from this source is slowly increasing. Future consumption depends a good deal on plans of Ford, who has a long way to go before reaching peak production. Structural steel buying is large, reflecting activity in the building trade. Unsettled conditions in the oil industry are being reflected in shrinking demand for pipe, though some orders for plates to be used in building tankage facilities are coming into the market.

Pig iron is showing real signs of life. Large consumers are entering the market for heavy lots and the general tone is that of strength. Recent inquiries indicate that further substantial tonnage will be placed for second quarter needs. Prices are showing a firmer tendency, and, if the present rate of buying keeps up, should score a material gain.

COPPER

Buying Unsatisfactory

The year in copper so far has been inauspicious with only one or two bright spots in what, on the whole, appears to be an uncertain market showing no clearly defined trend. This movement is especially disappointing in view of the favorable situation which obtained at the end of 1927, and in a way emphasizes the vagaries common

(Please turn to page 897)

Statistical Record of Business

	Week Ended Feb. 25, '28	Week Ended Mar. 3, '28	Year Ago
Volume Stock Exchange Transactions (Shares)	8,717,073	10,008,418	11,818,034
Average Price Magazine of Wall Street Index	112.1	113.0	100.9
Volume Bond Transactions	$45,631,100	$59,421,775	$57,560,650
Average Price 40 Bonds	92.35-92.22	92.22-91.73	90.50-90.31
Brokers' Loans (Federal Reserve)	†$3,728,316,000	‡$3,721,834,000	$2,813,045,000
Comm'l Loans Federal Reserve Member Banks	$8,648,590,000	$8,621,944,000	$8,560,373,000
Federal Reserve Ratio	74.7	74.1	78.5
Gold Holdings	$2,984,300,000	$2,974,301,000	$3,143,914,000
Rediscount Rate, N. Y.	4%	4%	4%
Debit to Individual Accounts	$12,803,000,000	$14,904,000,000	$15,108,432,000
Call Money	4¼%	4¼%	4
Time Money (90 days)	4½-⅝	4½-⅝	4⅜-½
Commercial Paper	4-4¼	4-4¼	4-4¼
Acceptances (90 days)	3⅝-½	3⅝-½	3¾-⅝
Dun's Business Failures	483	516	480
Weekly Food Index (Bradst's)	$3.27 (Feb. 1)	$3.32 (Mar. 1)	$3.45 (Mar. 1)
Wholesale Prices (Bradst's)	$13.57	$13.52	$12.51

Industrial Barometers

	December	January	Year Ago
U. S. Steel Unfilled Tonnage	3,972,874	4,275,947	3,800,177
Steel Ingot Production	3,150,345	3,959,904	3,759,877
Pig Iron Production	2,695,755	2,866,468	3,103,820
Pig Iron Furnaces in Blast	170	169	203
Automobile Production	134,381	133,178	173,415
Building Permits (Bradstreet's)	$246,876,772	$216,209,537	$214,906,777
Petroleum Production (bbls.)	74,108,000	72,321,000	73,559,000
Bituminous Coal Production (net tons)	45,312,000	40,558	56,880,000
*Copper Production (short tons)	67,222	68,728	76,200
Cotton Consumption (bales)	543,598	582,417	603,242
Spindles active	31,715,000	31,697,876	32,635,706
Wool Consumption (lbs)	46,321,945	41,690,867	47,839,484
Railroad Earnings	55,476,000	......	80,175,000
% on Railroad Property invested	2.68	......	3.98
Car loadings	4,172,605	3,447,723	3,756,660

Foreign Trade

	December	January	Year Ago
Merchandise Exports	$409,000,000	$411,000,000	$419,402,000
Merchandise Imports	$331,000,000	$338,000,000	$356,841,000
Gold Exports	$77,849,000	$52,086,000	$14,890,000
Gold Imports	$10,431,000	$38,320,000	$59,355,000

Distributive Trades

	December	January	Year Ago
Mail Order Sales	$59,500,000	$37,465,618	$35,237,228
Chain Store Sales (5 & 10 cent stores)	$85,600,000	......	$68,380,000
Department Store Sales (index number 1919-100)	237	......	234

* U. S. Mines. † Feb. 21. ‡ Feb. 29.

(Continued from page 895)

to this industry in the past. It would be difficult to ascertain to what extent the industry would have suffered if not for the steady demand occasioned by foreign consumption requirements. European buying in 1927 was largely responsible for the improvement which occurred in that year, permitting a rather substantial advance in prices, and is again proving to be a sustaining factor at this particular time.

There is little to explain the current inactivity save that as in former weeks domestic buying leaves much to be desired, a condition which is not surprising when it is considered that several large consumers in this country during the past two months have shown little inclination to enter markets for other than immediate needs. This apparent lethargy will perhaps be better understood upon the realization that the chief users of the metal in the United States covered requirements well into the first quarter around the beginning of the year.

While it is true that prices have shown rather consistent stability, it must be remembered that the volume of buying has been insufficient to afford a real test. In all probability producers would not hesitate to offer concessions if they were sure that it would prove an added incentive to purchasers; but being uncertain as to the possible reaction to price cuts under present conditions, it appears that producers have deferred action until a more opportune time when the stimulus of lower prices is sure to have a beneficial influence. Consequently the prevailing level of 14 cents for copper is more or less nominal, subject to revision with the appearance of favorable circumstances.

Stocks in the hands of producers and refiners as of February 1 showed a decrease, although the decline in itself is not significant inasmuch as present rate of consumption is not large enough to cause any material change in the statistical position of the industry. Moreover, production continues to gain, making the outlook for any substantial decline in stocks unlikely in the near future.

The downward trend in other metals, such as lead and zinc, has not helped sentiment any. In fact, many consumers are under the impression that a similar depression may be witnessed in copper before long. However this may be, one thing is certain that unless domestic demand shows considerable improvement it will not be a question of offering concessions to buyers, but rather that competition is likely to become so keen for whatever available business there is that a lower scale of prices will be inevitable.

For Feature Articles to Appear in the Next Issue See Page 829

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New York Curb Market

IMPORTANT ISSUES

Quotations as of February 29

Name and Dividend	1928 Price Range High	Low	Recent Price
Albert Pick Barth wi.†	10½	10	10
Aluminum Co. of Amer.	136	120	127
Aluminum pfd. (6)	107¼	105½	107
Amer. Cigar (8)	147	140	140
Amer. Cyanamid "B" (1.60)	50	39	42⅞
Amer. Cyanamid pfd. (6)	98½	95	97⅛
Amer. Gas Elec. (1)‡	131⅞	117½	130¾
Amer. Super Power A (1.2)†	41⅞	37	37⅛
Assoc. Gas Elec. "A" (2¼)	51⅛	47	47
Celotex Co. (3)	62	49	51
Centrif. Pipe (0.60)*	12⅛	10⅛	10¾
Cities Service New (1.2)†	56⅛	54	56⅛
Cities Service Pfd. (6)†	96¼	94½	96¼
Cons. Gas of Balt. (3)	73¾	67½	69¾
Consolidated Laundries (2)*	20¼	14¾	18⅜
Durant Motors†	12⅜	9¼	9⅝
Elect. Bond Share (1)†	94¾	76	89¼
Elect. Investors† (3.50 stk.)	45⅞	40⅛	41½
Fajardo Sugar (10)	160	152	156½
Ford Motor of Canada (15)	568	510	515
General Baking (new)*	9	8½	8¾
General Baking Pfd. (new)*	84⅛	80¾	83
Glen Alden Coal (10)†	169	157½	163
Gulf Oil (1.5)†	117¼	101½	110
Happiness Candy Store (50)	7⅛	5¾	6
Hecla Mining (1)	18	16½	17½
Hygrade Food Products	31¾	25⅛	28
International Utilities B	10½	6¾	7¾
Land Co. of Florida†	25	18½	18½
Lion Oil Refining (2.25)*	23½	20	23½
Lone Star Gas (2)	55	52	54
Metro Chain Store‡	62¾	54	56½
Mountain Producers (2.60)†	28⅞	25⅛	26½
National Fuel Gas (1)	28	25½	26
New Mex. & Arizona Land†	10	8¼	8¼
New Jersey Zinc (12)	195	180¼	192
Nipissing Mining (30c)*	5⅞	4¾	4⅞
Northern Ohio Power†	24½	18	24
Pacific Steel Boiler (1)*	14¾	13	14¾
Phelps Dodge (6)	129⅛	117½	121⅛
Puget Sound P. & L.†	50	34⅝	47⅛
Salt Creek Producers (3)†	35	30½	31½
So'east Pwr. & Lt. (new 1)	44⅞	42	42⅛
So'east Pwr. & Lt. Pfd. (4)	87⅝	84	87¼
Stutz Motors*	18⅞	15⅛	15⅛
Tobacco Products Export†	4⅝	3	3½
Trans Lux	4¾	3¾	3⅞
Tubize Artif. Silk† (10)	505	460	500
Tung-Sol "A" (1.80)	21¾	19⅝	20⅝
United Electric Coal (3)	33	26¼	29
United Gas & Improvem't (4)	118¼	111¼	114
U. S. Gypsum (1.60)	92	72	74

STANDARD OIL STOCKS

Name and Dividend	1928 Price Range High	Low	Recent Price
Continental Oil	28	16	17¾
Humble Oil (1.6)†	68	60½	64¼
International Pet. (.75)	43	35	37⅜
Ohio Oil (2.75)	66¾	58½	61
Prairie Oil & Gas†	50¼	47⅝	49½
Standard Oil of Ind. (3.5)†	80⅛	70⅞	74⅞
Vacuum Oil (5)†	149	139	143

* Listed in the regular way.
† Admitted to unlisted trading privileges.
‡ Application made for full listing.

REFLECTING the heavy liquidation and subsequent rally on the Stock Exchange, the price trend on the Curb was very uneven during the past fortnight. Except for individual situations that developed in special issues in the more recent sessions, the ground lost during the recent break has only been partially recovered. And throughout the list a good deal of irregularity still prevails.

In the public utility section, for example, *American Gas & Electric* was one of the strong spots. Rather heavy buying of this issue carried it above 131; a new high for the year which was reached in the face of weakness in most of the utility shares during this period. *Puget Sound Power & Light* ran up about five points earlier in the fortnight and sold at a new high around 50 as compared with the level of around 30 that prevailed during most of 1927. No official announcement of the intentions of the directors concerning resumption of dividend payments has been forthcoming so far but there is a good deal of buying of a substantial character that looks like the buying of well-informed traders.

In much the same way, the Curb oil stocks have been quite irregular. *International Petroleum* was heavily sold on the news that the Colombian Government is putting into effect new petroleum laws unfavorable to the foreign oil companies and reached 35 as compared with a price of 43 earlier in the year. *Standard Oil of Indiana, Ohio Oil, Prairie Oil & Gas* and *Continental Oil* likewise made new lows for the year. *Vacuum Oil,* on the other hand, on the long expected announcement of a 100% stock dividend, was run up to close to 150, a new high for 1928. Among the independents, *Gulf Oil of Pennsylvania* reached 110, after selling down to a few points above par.

The new shares of the *General Baking Corporation* were quite active during the past fortnight, and held pretty close to the level of the old shares, giving the holders of the old class A stock a total value of their combined holdings of common and preferred approximating the values of their former holdings. Through a change in capitalization recently authorized by the stockholders, all of the old class B shares were exchanged share for share for the new common stock and the class A is changed for one share of preferred and one-half share of common. This new preferred pays a dividend of $5 a year until October, 1928, after which time the dividend will be cumulative at the annual rate of $6 annually. At the current price of around 82, the yield on the $6 dividend which will be paid before the end of the year will provide an investment yield of about 7.3%. The participating feature on the old class B stock is now represented in the half share of common which these shareholders also received.

WALL STREET—THE CORPORATE INCUBATOR OF THE NATION

(*Continued from page* 841)

turn provide a sound basis for growth in value of the new securities over a period of years, even though the industry itself is pretty much at a standstill as far as expansion is concerned.

Severe Requirements In addition, there is the important consideration that the holding company securities, in being prepared for the market, must meet the severe test of public approval, and it is frequently necessary to provide "extra safeguards" for both the new bondholders and the new stockholders. Very often the former management will make terms which involve their accepting the new issues, and, therefore, the holding company securities must meet the double requirements of the well informed inside interests as well as the customary standards of the public securities market.

The investigations made by the underwriters disclose rather complete information, through independent audits by the financial firm's own accountants, appraisals by their own engineers and the trade position of the various units which appears in the data gathered by their investigators prior to the merger negotiations. The public comes into such an investment consequently on a very well informed basis. And a security which is set up with the aim of meeting the current needs of investors is not infrequently more likely to be a suitable investment than the so-called "seasoned" issues which were prepared for marketing conditions ten or twenty years ago, or another investment that just "happens to be available" instead of purposely being made available.

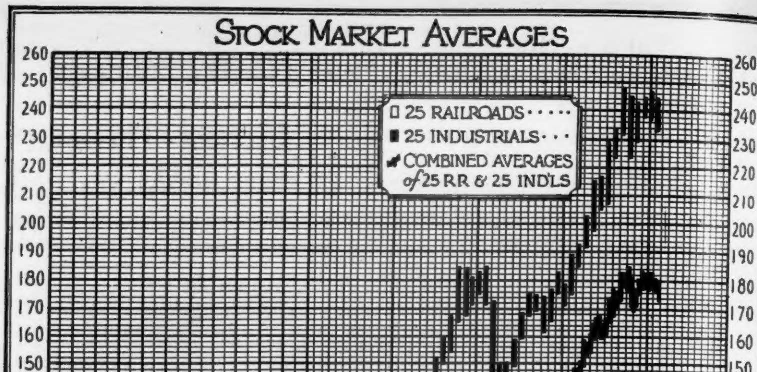
INCOME TAX DEPARTMENT

(*Continued from page* 874)

Dividends

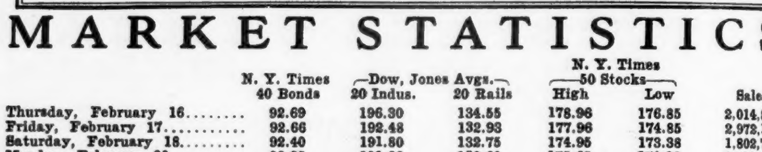
Q. In connection with Federal Income tax for the calendar year of 1927, it is not clear to me whether dividends of domestic corporations should be declared as income or not, and also if they are subject to tax. Also, may a sewer assessment be considered a tax and may it be deducted?—K. W. L.

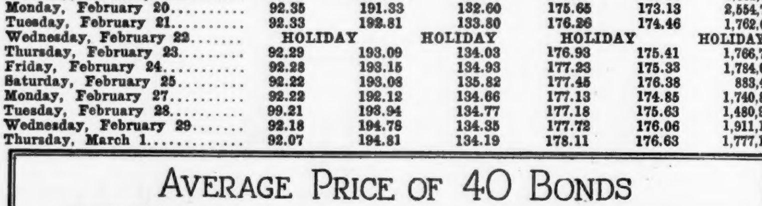
A. Dividends must be reported, but are subject to the surtax only. They are exempt from the normal tax. A sewer assessment is not deductible. It is not regarded as a tax but a local benefit increasing the value of the property.



MARKET STATISTICS

	N. Y. Times	Dow, Jones Avgs.		N. Y. Times 50 Stocks		
	40 Bonds	20 Indus.	20 Rails	High	Low	Sales
Thursday, February 16........	92.69	196.30	134.55	178.96	176.85	2,014,860
Friday, February 17...........	92.66	192.48	132.93	177.96	174.85	2,972,100
Saturday, February 18.........	92.40	191.80	132.75	174.95	173.38	1,802,710
Monday, February 20..........	92.35	191.33	132.60	175.65	173.13	2,554,700
Tuesday, February 21..........	92.33	192.81	133.80	176.26	174.46	1,762,680
Wednesday, February 22.......	HOLIDAY		HOLIDAY	HOLIDAY		HOLIDAY
Thursday, February 23.........	92.29	193.09	134.03	176.93	175.41	1,766,730
Friday, February 24...........	92.28	193.15	134.93	177.23	175.33	1,784,003
Saturday, February 25.........	92.22	193.08	135.82	177.45	176.38	883,440
Monday, February 27..........	92.22	192.12	134.66	177.13	174.85	1,740,870
Tuesday, February 28..........	99.21	193.94	134.77	177.18	175.63	1,480,920
Wednesday, February 29.......	92.18	194.78	134.35	177.72	176.06	1,911,110
Thursday, March 1.............	92.07	194.81	134.19	178.11	176.63	1,777,130





BETHLEHEM STEEL CORPORATION

(*Continued from page 863*)

far as actual quoted prices were concerned, it did indicate that the company intended to adopt a strong policy of leadership in the eastern steel market in which it is the foremost producer. Bethlehem's location of plants at points advantageous for shipping to the big consumption centers along the Atlantic seaboard gives it a superiority over its competitors located at and around Pittsburgh in so far as these eastern markets are concerned. Incidentally the eastern market has often been characterized by Charles M. Schwab, chairman of the board of the corporation, as the greatest steel market in the world. The appropriateness of this radical change in policy, coming at a time when the company had practically finished its expansion program, is significant as indicating that the company itself feels a new era lies immediately ahead of it.

Bethlehem's capital structure has been rounded out during the past five years along with its production facilities. Its bonded debt has been somewhat reduced in the period, interest requirements totaling $12,323,000 in 1923 and $11,456,000 in 1927. Outstanding preferred has been increased, dividend requirements on this issue totaling $4,318,000 in 1923 and $6,790,000 in 1927. Number of shares of common stock outstanding has not varied substantially since completion of the merger and for some time has remained at 1,800,000 shares. While the present capital structure is much simpler than at the time of the Lackawanna absorption, when there were two classes of both preferred and common outstanding, it remains rather top-heavy. This is indicated by the tabulation comparing the distribution of total income by Bethlehem and U. S. Steel. The larger proportion of total income going to the common stock in the case of U. S. Steel gives a much greater stability to the earning power of that issue.

This is the sort of capital structure, however, which is often the explanation of a sustained rise in a common stock: comparatively large bond and preferred stock issues and a not too large common capital permit the equities accruing to the common to mount rapidly when gross income increases. In the case of Bethlehem earnings have been sufficient to cover preferred dividend requirements with a fair margin in every year since the merger. This has been accomplished despite the unsettlement to production which must have come from the various construction projects. When, as and if the company begins to receive the benefits from its construction program, these additional earnings will all be available for the common stock.

It is not ordinarily appreciated that an increase of only 17% in Bethle-

San Francisco Stock and Bond Exchange

THIS table is published regularly for the convenience of those of our subscribers and readers who are, or may be, interested in leading Pacific Coast securities.

Bank and Public Utility Stocks

	Div. Rate	1928 High	1928 Low	Last Sale Mar. 1
Anglo & London Paris Nat. Bank	$10.00	256	227	230
Bancitaly Corporation	2.24	185	137⅞	184⅝
Bank of Italy, new	5.24	288	260	287¾
East Bay Water A, Pfd	6.00	98	95½	96⅛
Federal Brandes	....	31½	26⅜	29
Great Western Power Pfd	7.00	105½	103½	106⅜
Los Angeles Gas Pfd	6.00	109⅛	105¼	108½
Pacific Telephone & Tel. Pfd	6.00	124	113½	117½
Pacific Gas & Elec	2.00	49¾	43⅞	43⅞

Industrials and Miscellaneous

	Div. Rate	1928 High	1928 Low	Last Sale Mar. 1
Alaska Packers' Assn	8.00	160	160	160
California Packing	4.00	79⅞	72⅛	72¾
California Petroleum	1.00	27⅜	23¾	25¾
Caterpillar Tractor	1.40	59⅞	53	57
Foster & Kleiser (em)	1.00	19	14	17
Hale Brothers	2.00	31	27	28½
Hawaiian Coml. Sugar	3.00	53½	51⅝	53
Hawaiian Pineapple	1.80	43⅞	41	42½
Home Fire & Marine	1.60	49¼	41⅛	42¼
Honolulu Cons. Oil	2.00	38¾	35	37¼
Hunt Brothers Packing "A"	2.00	25	23⅛	23½
Illinois Pacific Glass "A"	2.00	53½	45½	50⅝
North American Oil	3.60	40¼	36¾	40¼
Paraffine Common	3.00	98⅞	84⅞	93½
Richfield Cons. Oil	1.00	27⅞	23¼	24¾
Schlesinger A Common	1.50	26½	21⅛	25
Shell Union Oil	1.40	26⅞	24	25¼
Southern Pacific	6.00	123⅞	118¼	119⅜
Sperry Flour Common	....	67	62½	63½
Spring Valley Water	6.00	107¾	105	106
Standard Oil of Calif	2.50	56⅝	53	54⅛
Union Oil Associates	1.99	45	42¼	43¾
Union Oil of California	2.00	45⅝	43⅜	43¾
Yellow & Checker Cab "A"	.80	11¼	8⅛	9⅞
Zellerbach Corporation	2.00	54⅛	43	49¾

hem's total income in 1927 would have resulted in per share earnings on the common as large as were the per share earnings on U. S. Steel common. (Incidentally U. S. Steel at 146 is selling at more than two and one-half times the price of Bethlehem at 57.) A 17% increase in Bethlehem's total income of $40,379,000 would have meant an additional $6,800,000. This additional sum would have been equivalent to $3.78 on Bethlehem's 1,800,000 common shares, thus bringing the total up from $5.02 to $8.80, which were the per share earnings reported on U. S. Steel common. This calculation assumes that Bethlehem's total income was increased without increasing interest, depreciation or preferred dividends or any other charges which come before the common. Such a calculation is by no means visionary, however. Assuming an annual production of 4,000,000 tons of finished steel—Bethlehem produced 4,337,957 tons in 1926—an increase of $1.75 a ton in the price received would have increased revenues by $7,000,000 and, as stated above, average billings in 1927 were $1.87 a ton under 1926. Indeed, according to Mr. Grace, the average billing price of all rolled steel and finished products declined $8.60 a ton from 1923 to 1927. A swing in the pendulum of steel prices in the opposite direction would obviously be of great significance to Bethlehem.

Summary

The speculative appeal in Bethlehem Steel common is not to be denied. Completion of the construction program affording increased production facilities and reduction of production costs, the likelihood of higher steel prices prevailing in the present year, the strong stand which the company has taken by its announcement of a new method of quoting steel prices at this appropriate time, and the nature of its capital structure which will permit future gains in earnings to accrue practically exclusively to the common stock, all point to better prices for the stock and ultimate resumption of common dividends.

ARE RAILROADS SUFFERING FROM TOO MUCH REGULATION?

(Continued from page 839)

commission to invade the domain of carrier management save under clear and grave necessity would be to sabotage the very law that we are sworn to administer. In no other department of the Federal administration could the bureaucratic spirit, if not jealously restrained, do more damage in less time than it could do in railroad regulation. It is this consideration which most heavily weighs with me in the decision of this case."

In no recent decision or report of the I. C. C. do railway executives feel that it went further into the managerial field, and regarding a relatively unimportant matter, so far as either the public interest or that of the respondent company in the case, was concerned, as it did in the report on "Maintenance of Way Expenditures of the Pittsburgh & Lake Erie Railroad Co.," decided January 3, 1928. After an exhaustive investigation the Commission held that "the practice of respondent in paying to labor contractors for their services in connection with the employment of maintenance of way laborers an allowance of 10% of the monthly earnings of its track and roadway laborers, including supervisory and camp and commissary employees, cannot be regarded as consistent with efficient and economical management."

The report consists of 11 large mimeographed pages and goes into great detail in analyzing the situation involved, stating just what, in the opinion of the Commission, the management did and what it should have done or should not have done. In fact, the report sounds much like a detailed curtain lecture to a group of alleged bad boys.

"Hasn't the management of a railroad the right to hire whom it thinks best to carry on maintenance work and to pay the wages that seem reasonable and the situation warrants? To the average reader only one answer would occur, "Decidedly yes." Not so in the minds of the union employees whom the railroads were supposed to employ for that work, and whose complaint brought on the investigation, nor in the minds of the I. C. C., at least not in this particular case.

The company maintained that it had a certain job to do within a specified time under adverse conditions and that it was fully justified in paying the extra 10% to the contractors who assembled the men. It also claims that it was forced to go outside for men for this work, because of the high union scale, and that after paying the 10% bonus it was able to get the work done more cheaply than would have been possible with its own men.

Officials, not only of the Pittsburgh

Bonds Called for Redemption

Company	Rate	Maturity	Amount	Price	Redemption date
American Republics Corp.	6%	1937	All bds.	103	Apr., 1928
American Rolling Mills Co.	6%.	1938	All bds.	104½	July, 1928
Argentine (Government of) A	6%	1957	$54,500	100	March, 1928
Associated Oil Company	6%	1935	$1,230,000	102½	March, 1928
Associated Electric Company	5½%	1946	$10,000,000	105	May, 1928
Associated Laundries	6%	1940	$6,000	105	March, 1928
Atlanta Gas Light Company	6%	1970	All bds.	106	April, 1928
Central Public Service Company	6½%	1929	All bds.	101	July, 1928
Central States Electric Corp	6%	1945	All bds.	105	March, 1928
Central States Power & Light Corp.	5½%	1928	All bds.	100¼	March, 1928
Central States Power & Light Corp.	6%	1930	All bds.	101	May, 1928
Central States Power & Light Corp.	6	1945	All bds.	105	June, 1928
Chicago, Rock Island & Pacific Ry.	5%	1929	All bds.	100½	March, 1928
Chicago & Western Indiana Ry. Co.	6%	1932	$43,0C0	105	March, 1928
Chile (Republic of), 25-year	8%	1946	All bds.	110	May, 1928
Chile (Republic of), 20-year	8%	1941	All bds.	110	Aug., 1928
Continental Gas & Elec. Corp. A	6½%	1964	All bds.	105	April, 1928
Denver Gas & Electric Company	5%	1949	$57,000	105	May, 1928
Madison Square Garden Corp	7%	1945	All bds.	105	March, 1928
Mid-Continent Petroleum Corp.	6½%	1940	$143,000	105	March, 1928
Missouri Edison Company A	6½%	1940	All bds.	105	May, 1928
Mortgage Bond Co. of New York	4%	1966	$8,800	100	April, 1928
National Electric Power Co	6%	1945	All bds.	104½	March, 1928
National Dairy Products Corp	6%	1940	All bds.	103½	March, 1928
Nebraska (State) Reg. War	*	*...	$1,110,000	*..	Feb., 1928
N. Y. N. H. & H. partic ctfs	6%	1930	All bds.	100	March, 1928
New York, New Haven & Hart. Ry.	7%	1928-35	All bds.	103	April, 1928
Ohio Power Company, C	6%	1953	All bds.	106	March, 1928
Ohio Power Co., The, 1st & ref. C	6%	1953	All bds.	106	March, 1928
Paris-Orleans R. R. Company	7%	1954	All bds.	103	Sept., 1928
Pennsylvania Water & Power Co. A.	5½%	1953	All bds.	106½	March, 1928
Public Service Corp. of New Jersey.	6%	1944	All bds.	*..	March, 1928
Public Service Corp. of New Jersey.	5½%	1956	All bds.	*..	March, 1928
St. Louis-San Francisco Ry. Co.	6%	1930	All bds.	100	March, 1928
S. Dakota (State) Series B, C, D, F	4¾%	1938	All bds.	100	March, 1928
Toledo Edison Company	7%	1941	All bds.	107½	March, 1928
United Drug Co.	6%	1944	All bds.	107½	Apr., 1928
Western Power, Light & Telephone.	6%	1929	All bds.	102	Feb., 1928
Western States G. & E. of Cal.	6%	1947	All bds.	107½	March, 1928

* Not stated.

& Lake Erie, but generally, feel that this was a situation for the company alone to handle, and that even if the I. C. C. had the power under the Act, to go into it, its members would have acted much more wisely to have kept out.

Some one, who is not well informed, with regard to the situation, may ask, "Why have the I. C. C. any way?" Isn't it doing more harm to the railroads, its security holders, and even the public, than it is doing good? "What does it really do anyway?"

The off-hand, blunt, but nevertheless true reply to the first question may be made that the I. C. C. came into being and has been continued quite largely because of the practices of railway directors and officials in the earlier years, many of which were unjust alike to the public and security holders. If railway executives and directors of those days had done the fair thing by all concerned, quite possibly we never would have had the I. C. C. It is a great pleasure to state in the very next sentence that these practices have been done away with to a very great extent, partly because of strict Government supervision and regulation through the I. C. C. and partly because railway executives have seen the situation in a different and better light.

John J. Esch, a former chairman of the I. C. C., has outlined the origin of that body in much more gracious terms than I have used. He says:

"Regulation is not as old as railroad construction. It was not until February 4, 1887, that Congress passed the Interstate Commerce Act. I need not rehearse the causes which brought forth its enactment. Suffice it to say that during the preceding several decades the railroads operated on a *laissez faire* doctrine—no restraint on construction, on operation, on financing or any other matter.

"Several of the Western or granger states under the situation there existing felt constrained to pass laws giving to regulatory bodies within the states certain control over rates. The exercise of this power by the several states brought about great lack of uniformity in the matter of interstate arrangements, but those states set the example of regulation by federal authority and hence the Act of 1887."

President Sargent of the Chicago & North Western takes the ground that Congress has given the I. C. C. too much to do. Mr. Esch makes it plain that Mr. Sargent is right, simply by telling only a small part of what the Commission is expected to do.

After going over the following brief and imperfect synopsis of Mr. Esch's excellent outline of the work of the I. C. C., I will leave it to the reader to decide whether, in his judgment, Congress has conferred too great powers on the I. C. C.—greater than any body of its size, could ever perform satisfactorily. Remember the I. C. C. proper consists of only eleven men.

Mr. Esch says: "In short, the Commission administers no less than 28 acts of Congress and there are others in the offing. When the Act was first passed in 1887, with five Commissioners, there were only 30 employees. Today there are between 1,800 and 1,900. The work has so accumulated that it was necessary to subdivide the Com-

(Please turn to page 907)

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MCH. 31, 1922, $147,608.20
MCH. 31, 1923, $272,463.58
MARCH 31, 1924, $500,130.44
MARCH 31, 1925, $750,097.73
MARCH 31, 1926, $1,208,168.28
DEC. 31, 1927, $1,952,459.49

Authorized Capital $5,000,000

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Dividends

Public Service Corporation of New Jersey

Dividend No. 83 on Common Stock
Dividend No. 37 on 8% Cumulative Preferred Stock
Dividend No. 21 on 7% Cumulative Preferred Stock

The Board of Directors of Public Service Corporation of New Jersey has declared dividends at the rate of 8% per annum on the 8% Cumulative Preferred Stock, being $2.00 per share, at the rate of 7% per annum on the 7% Cumulative Preferred Stock, being $1.75 per share; and 50 cents per share on the non par value Common Stock for the quarter ending March 31, 1928. Dividends are payable March 31, 1928, to stockholders of record at the close of business March 8, 1928.

Dividends on 6% Cumulative Preferred Stock are payable on the last day of each month.

T. W. Van Middlesworth, Treasurer.

Public Service Electric and Gas Company

Dividend No. 15 on 7% Cumulative Preferred Stock
Dividend No. 13 on 6% Cumulative Preferred Stock

The Board of Directors of Public Service Electric and Gas Company has declared the regular quarterly dividend on the 7% and 6% Preferred Stock of that Company. Dividends are payable March 31, 1928, to stockholders of record at the close of business March 8, 1928.

T. W. Van Middlesworth, Treasurer.

MALLINSON'S
Silks and Fabrics de Luxe

H. R. Mallinson & Co., Inc.
299 Fifth Avenue, New York City

March 1, 1928

Preferred Dividend No. 33

The Board of Directors of this Corporation has declared the regular quarterly dividend No. 33 of 1¾% on the Preferred Stock, payable April 2nd, 1928 to stockholders of record at the close of business March 21st, 1928.

E. IRVING HANSON, Treasurer.

THE BELL TELEPHONE COMPANY OF CANADA
NOTICE OF DIVIDEND

A dividend of two per cent (2%) has been declared payable on the 14th of April, 1928, to shareholders of record at the close of business on the 23rd March, 1928.

W. H. BLACK,
Secretary-Treasurer.

Montreal, 22nd February, 1928.

LOEW'S INCORPORATED
"Theatres Everywhere"

February 27th, 1928.

The Board of Directors has declared a quarterly dividend of fifty cents per share upon the Common Stock of this company, payable on March 31st, 1928, to stockholders of record at the close of business on March 14th, 1928.

Checks will be mailed.

DAVID BERNSTEIN, Treasurer.

Investment Records

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Dividends

Certain-teed

1st Preferred Dividend No. 45
2nd Preferred Dividend No. 45
Common Dividend No. 21

The Board of Directors has this day declared the forty-fifth quarterly dividends of 1¾% on the First and Second Preferred Stocks and the twenty-first dividend of $1.00 per share on the Common Stock of this Corporation, payable April 1, 1928, to Stockholders of record at the close of business March 15, 1928. Checks will be mailed.

Certain-teed Products Corporation
ROBERT M. NELSON,
Secretary-Treasurer.

New York, February 28, 1928.

CRANE CO.
Dividend Notice

At a meting of the Board of Directors February 21st a quarterly dividend of one and three-quarters per cent (1¾%) on the Preferred Stock and one and one-half per cent (1½%) on the Common Stock was declared, payable March 15, 1928 to Stockholders of record March 1, 1928.

H. P. BISHOP,
Secretary.

February 21, 1928.

THE MONTANA POWER COMPANY
COMMON STOCK DIVIDEND NO. 62

A dividend of one and one-quarter per cent. (1¼%) on the Common Stock has been declared, payable April 2, 1928, to stockholders of record at the close of business on March 13, 1928.

Checks will be mailed.

J. F. DENISON,
Treasurer.

25 Broadway, New York.

ALLIED CHEMICAL & DYE CORP.
61 Broadway, New York

February 28, 1928.

Allied Chemical & Dye Corporation has declared quarterly dividend No. 29 of one and three-quarters per cent. (1¾%) on the Preferred Stock of the Company, payable April 2, 1928, to preferred stockholders of record at the close of business March 14, 1928.

V. D. CRISP, Secretary.

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Meetings

REPUBLIC IRON & STEEL COMPANY

The Annual Meeting of the Stockholders of the Republic Iron & Steel Company will be held at the offices of the Company, No. 1 Exchange Place, Jersey City, N. J., on Wednesday, April 11th, 1928, at 11 o'clock in the forenoon, for the transaction of any and all business that may properly come before the meeting. Transfer books of the company, both Common and Preferred, will close at 3 P. M. March 15th, 1928, and reopen at 10 o'clock A. M. on April 12th, 1928.

RICHARD JONES, Jr., Secretary.

Dividends

E. I. DU PONT DE NEMOURS & CO.

Wilmington, Del., February 20, 1928.

The Board of Directors has this day declared a regular dividend of $2.50 per share on the outstanding no par value common stock of this Company, payable March 15, 1928 to stockholders of record at the close of business on March 1, 1928; also dividend of 1½% on the outstanding Debenture Stock of this Company, payable April 25, 1928 to stockholders of record at the close of business on April 10, 1928.

CHARLES COPELAND,
Secretary.

Union Carbide and Carbon Corporation

A cash dividend of One Dollar and fifty cents ($1.50) per share on the outstanding capital stock of this Corporation has been declared payable April 2, 1928, to stockholders of record at the close of business March 2, 1928.

WILLIAM M. BEARD,
Treasurer.

THE UNITED GAS IMPROVEMENT CO.

N. W. Cor. Broad and Arch Streets
Philadelphia, Pa., February 8, 1928.

The Directors have this day declared a quarterly dividend of two per cent. ($1.00 per share) on the Capital Stock of this Company, payable April 14, 1928, to stockholders of record at the close of business March 15, 1928.

Checks will be mailed.

I. W. MORRIS, Treasurer.

(*Continued from page 904*)

mission in order to increase its output. There are six divisions under the Act. Aside from these divisions of the commission there are 10 committees consisting of Commissioners. We have also created a dozen boards or bureaus."

The following are the bureaus: Administration, Accounts, Finance, Formal Cases, Informal Cases, Locomotive Inspection, Safety, Service, Signal and Train Control Devices, Statistics, Traffic and Valuation.

Some idea of the tremendous work of the Bureau of Administration may be had from the single statement of Mr. Esch that "it may interest you to know that the business of the section of Mails and Files is equal to a business of a post office in quite a considerable town, because it receives on an average something like 15,000 letters in a single month and also keeps track of replies that go out in response to such letters."

Readers of this magazine will be particularly interested in the work of the Bureau of Finance. Mr. Esch says: "The volume of this work may be understood when I state that it passes upon securities each year with a face value to the amount of a billion dollars."

The traveling public will want to know something about the Bureau of Safety. Mr. Esch makes it known that the duty of the inspectors of the Commission is to inspect particularly freight and passenger car equipment. Last year they inspected 1,390,000 out of a total of 2,400,000 freight cars on the railroads of the United States.

One of the newest bureaus is that of Signal and Train Control. Mr. Esch announces that already there have been installed and in operation on the railroads of the United States 10,101 road miles and almost 16,000 or 17,000 track miles, with automatic train control.

Of special importance to the future of the railroads and their security holders is the final outcome of what the Bureau of Valuation has attempted to do in the last 15 years under the Valuation Act of 1913, to determine a fair valuation for the property of the steam railroads of the United States. Mr. Esch states that "the valuation of properties exceeding perhaps $20,000,000,000 indicates the character and importance of this work."

Finally Mr. Esch says: "We have a great task before us, but we realize fully our responsibility under the laws that we have to administer and we are glad at all times to cooperate."

After reading this brief synopsis of his comprehensive outline can any one doubt the magnitude of the task set for the I. C. C.? Would it not seem that the members of that body would strive so to interpret the Interstate Commerce Act as to keep within the realm of supervision and regulation and keep out of that of management

Dividends

International Combustion Engineering Corporation

PREFERRED STOCK
Dividend No. 2

The Board of Directors of International Combustion Engineering Corporation at a meeting held February 6th, 1928, declared a quarterly dividend for the period ending March 31st, 1928, of One Dollar and Seventy-five Cents ($1.75) per share upon the outstanding Preferred Stock of the Corporation, payable April 1st, 1928, to stockholders of record at the close of business March 16th, 1928.

George H. Hansel, Treasurer.

New York, February 6, 1928.

INTERNATIONAL PAPER COMPANY

New York, N. Y., February 29th, 1928

The Board of Directors have declared a regular quarterly dividend of one and three-quarters (1¾%) per cent on the Cumulative 7% Preferred Stock of this Company, and a regular quarterly dividend of one and one-half (1½%) per cent on the Cumulative 6% Preferred Stock of this Company, for the current quarter, payable April 16th, 1928, to holders of record at the close of business — April 2nd, 1928.

Checks will be mailed. Transfer books will not close.

OWEN SHEPHERD,
Vice-President & Treasurer

Dividends

Warren Brothers Company

Preferred Stock Dividend No. 104

Dividends of one and one-half per cent (1½%) on the First Preferred Stock and of one and three-quarters per cent (1¾%) on the Second Preferred Stock of this Company have been declared for the quarter ending March 31, 1928, payable on April 2, 1928, to stockholders of record at the close of business March 19, 1928.

E. SUTCLIFFE,
Treasurer.

Warren Brothers Company

Common Stock Dividend

A quarterly dividend of One Dollar ($1.00) per share has been declared on the Common Stock of this Company, payable on April 2, 1928, to stockholders of record at the close of business March 19, 1928.

E. SUTCLIFFE,
Treasurer.

pure and simple, and, in fact, of everything else pertaining to the railroads?

It is obvious that owing to the conditions set forth in this article, the railroads are bound and hampered not only by the broad economic influences with which they are always faced but with the super-supervision of the Interstate Commerce Commission. Railroad officials have clearly shown in the past few years their extraordinary capacity for economical administration of the properties over which they have been placed in charge. They have evidently reached a point where proportionate progress in line of reducing expenses cannot be logically expected. Under the circumstances, a sort of stalemate has developed not only in regard to the vitally important question of consolidations but the even more important question of rates and wages. As matters stand now, the carriers' economic status is determined, first, by general business conditions, with which they have shown they know how to cope, second the railway unions which have the upper hand and, third, the Interstate Commerce Commission, which is so completely burdened with duties, many of which are foreign to the essential and fundamental purpose of railway regulation as to be harmful so far as railway profits are concerned.

It is for such reasons rather than the decline in earnings in 1927 that railway securities have been slipping for it is being felt that too much regulation of an industry cannot provide sufficient assurance to investors that their properties will be managed as profitably as they should like to have them.

Basically, the position of the principal carriers is sound enough and holders of their securities need not entertain fears, despite the present rather unprepossessing atmosphere with which they are surrounded. Nevertheless, limitation of the powers of the Interstate Commerce Commission and greater individuality in railway management would do a great deal, even more than an upturn in business itself, in restoring waning confidence in this great body of securities.

SOUTHERN RAILWAY CO.

(*Continued from page* 851)

and in 1926 amounted to $3.10 per share. Some reduction was probably witnessed in 1927.

Dividends were inaugurated in 1924 at the rate of $5 per share annually. In 1925, the rate was increased to $7 and last December a further upward revision was witnessed when the management declared a quarterly dividend of $2. Undoubtedly this action reflects confidence on the part of the management in anticipating continued expansion of earnings in the future. Moreover, it suggests the possibility of

utilizing common stock as a medium for future financing and for refunding.

That the common shares of Southern Railway occupy a strong position is quite apparent in view of its capable management, its steadily growing earning power and the outlook for continued development of its territory. Undoubtedly, their lack of seasoning has been a retarding influence marketwise, but the results of the past year strongly indicate what the management is able to accomplish in a period of declining revenues. Moreover, it is well to bear in mind that Southern is in an unusual position because of the territory it serves. Currently selling at around 140 the annual dividend of \$8 per share affords a return of 5.7%, a yield that is out of line with its excellent record of earnings and the current ease in money rates. There is ample evidence to warrant the belief that the cost of investment capital will continue to decline during the next few years. *In this event it does not appear improbable that the junior equities of Southern Railway should reflect the situation in higher prices, especially as its investment qualities are more genuinely appreciated.*

INTANGIBLES AS A GUIDE TO INVESTORS

(*Continued from page* 845)

steadily adding to their faith in these reserves, even though they conform to the latter-day fashion to write down good-will assets in the balance sheet to the traditional one dollar. Discussing, in a recent conversation, the earning momentum supplied by established trade marks a confident expression was given by the president of one of the largest manufacturers of face powder and other branded toilet requisites. Said he:

"The most valuable assets of our company are two intangible factors—its trade marks and its dealer and consumer good-will. Our factory might be destroyed today by fire or earthquake, but with a clear and undisputed title to our trade marks, with good-will intact, the factory could rise Phoenix-like from the ruins and with adequate stock in distributing points neither the consuming nor the distributing factors would need to be made aware of the factory loss. Bankers have confidently loaned us money in large sums regarding our good-will and our trade marks as our most valuable assets. It is to make secure both trade marks and good-will that our company has consistently employed every honorable form of advertising—advertising that, for some years, has involved an expense that might be thought excessive by those not familiar with this essential form of bringing our goods before the attention of the public."

INVESTING IN MINES AND MINING SECURITIES

(*Continued from page* 855)

rant the opinion that it can be satisfactorily handled from the metallurgical standpoint. Water is available and power requirements can be developed. These conditions are sure to shortly attract substantial mining interests, as the newspapers from the nearest point will soon have write-ups.

The local people find their way to the cities, and even though the information is usually grossly exaggerated because of the zeal of the local editors, still those in the mining business know how to interpret it and know what is likely to be true and what is likely not to be true, and so the geologist and the engineer soon also finds his way to the camp. It is pretty difficult at this stage to negotiate and convince the owners of what they are up against, and they disbelieve the amount of money necessary to bring these properties to fruition.

They are frequently not familiar with the metallurgical losses in treatment; sometimes not fully informed on freight rates, and seldom knew very much about the real cost of running a mining property over a period of years—any more than a subway guard knows how much of the nickel pays for the cost of the ride, or an iron worker knows about the cost of erecting a building. Sooner or later, however, through force of circumstances, a sensible realization of these things comes about, and the group which sent out the geologist makes a proposition to the effect, let us say, that they will provide up to a certain amount of money to be spent solely on development work underground, with the necessary surface plant to carry on, and that they will also agree to later, if conditions warrant, provide all the necessary capital to put the property on a certain productive basis. The deal is that they are to get their money back out of first earnings and that after they have their money back, they will divide the profits with the owners. That is quite a normal trade. The stock market should have no part until this stage is completed.

There have been instances where almost at the outset a mining property has been able to ship ore and derive a sufficient amount therefrom, despite distance from railroad and other difficulties, to enable it to carry on its operation without any substantial money. In the Cobalt district, Ontario, where the Nipissing, Kerr Lake and others are still operating, the ore was very rich and outcropped at the surface. Now, that country is pretty far north; snow conditions are severe, especially where there are only the crudest facilities, and there was no power, but despite all of this, they

(*Please turn to page* 912)

DODGE BROTHERS, INC.

(*Continued from page* 910)

were able, because of the richness of the ore, to ship out stuff which gave a net income from the very beginning. Strangely enough, the original discovery at Cobalt was made in a railroad cut, for the Province was building a line through there at the time. The ore was of such a nature at the surface that it did not require milling, though these conditions existed only on certain properties. In other words, it was what was known as a direct shipping ore, requiring no treatment before it reached the smelter. Such instances, however, are exceptional.

It is a pretty good rule to lay down, not to buy shares of very small properties or those not sponsored by responsible interests identified with the industry. Leave the financing of small properties to those in the mining business and confine your investments to going concerns of the larger type. I say this because, generally speaking, you have not the facilitates for getting the kind of advice that it is necessary you should have. Small operating mines, as a rule, are not very profitable—just because they are small. A natural inquiry is: Do not small mines sometimes become large mines? This will be referred to later.

If, for example, a mine yields a product worth, say, $20,000 per month, then after costs and metallurgical losses are deducted, there may be left $100,000 at the end of the year as net. Such a property may go along for a year or two on this basis, but difficulties arise: the unforeseen occurs; landslides, floods, unusual storms, a change in the ore in depth requiring change in equipment of the plant, or a thousand and one contingencies. An output of this size does not allow sufficient margin to withstand these extraneous expenses or to pay for the quality of engineering advice necessary to get it out of its difficulties, and so the nominal profit of one year may be largely reduced by fortuitous results of another.

Either put your money into large, going concerns or into holding companies which operate numerous small mines and can thus afford to employ the best consulting staff and spread their overhead over a number of mines. Keep out of securities issued by houses (stock exchange or otherwise) that are not identified with the industry. Such issues have run the gamut, and there is usually something wrong when a house identified with refrigerator or food stocks suddenly issues a mining share. If those fostering an enterprise are reputed to be very secretive, you should take that into consideration, for one of your best tools is removed if the opportunity is not afforded to keep in touch with the operation at least twice a year. You may not understand the company's report in its entirety, should some technical ambiguity appear, but these reports reach the technical press and are the subject of observation, so that you will shortly read, through the financial

(*Please turn to page* 914)

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The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses of the highest standard. They will be sent free on request, direct from the issuing house. Ask for them by number.

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A Texas Building & Loan Association, under state supervision, is issuing shares, principal and interest secured by first mortgages on homes not to exceed 60% of valuation. If interested, send for 431.

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The newest publication of S. W. Straus & Co., 565 Fifth Ave., New York City, describes in detail the methods followed by this organization in underwriting first mortgage real estate bond issues. Send for your free copy 217.

A SUGGESTION TO INVESTORS

This booklet explains in detail the features of Odd-lot investing. If interested, the prominent New York Stock Exchange firm issuing this booklet will be pleased to send you a complimentary copy. Ask for 278.

BONDS OF AMERICAN INDUSTRIES

How Corporation Bonds are issued and how every possible safeguard is thrown around them for the protection of the investing public is interestingly told in this booklet which you can obtain without obligation by asking for 321.

(*Continued from page* 912)

press, discussion of results at any properties of public interest.

As to the query regarding whether a small mine may not later become a large mine: Yes, it may, but usually—even though the problems may not be identical—the deposits in any one district have certain similar characteristics and certain habits (like heritages) and certain conclusions may be drawn as to what to expect though facilities for power, water, etc., may differ. If the veins have shown the disposition to discontinue at certain depths or if no veins in any particular district have exceeded a certain width; if the grade of ore has appeared quite uniform for a long time—then that district is known by those characteristics. Of course, in an entirely new district, where no deposit has been previously discovered, all these features are speculative and so speculative that you had best leave it to those familiar with the game to provide the money. Let me state as this point that it is surprising how small a percentage of all the properties which the most astute mining interests undertake to develop arrive at the point where even the incorporation of companies for their development appears warranted. One of the larger corporations engaged in acquiring mines reported in one year as follows: Number of properties presented, 786; rejected after office study, 655; subjected to preliminary field examination, 118; accorded complete examination, 13; properties acquired, 3; taken under option, 3.

The highly regarded people in the business do not go to the public for funds for mining enterprises until they feel that the public will have a good run for its money. There are innumerable enterprises in some of which we have had a small part, where the bankers have provided money privately when they could have readily secured it from the public, and where these enterprises were dropped due to disappointing outcome—resulting in total loss. The better interests seldom go to the public to finance a prospect. Some groups, such as the American Smelting & Refining Company, the Anaconda, U. S. Smelting Refining, New Jersey Zinc, International Nickel and others spend their shareholders' money in furthering prospects in the normal course of their business, and that is a much better way to go into the mining business.

Note—This article will be concluded in our next issue.

THE INSURANCE QUESTION-BOX

(*Continued from page* 869)

pendence in later years. Thanking you for your courtesy. I am, Very truly yours, I. F. A.

Replying to your letter of January 24th, in which you request the names of about four companies which issue the Income Bond, I would suggest that you communicate with

(*Please turn to page* 916)

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MAKING BONEY IN STOCKS

If you are interested in the stock market you will enjoy reading the recent book published by the Investment Research Bureau. It describes in detail the Bureau's Financial Service, and will be mailed to you free upon request together with current stock market and special reports. Ask for 425.

THE PARTIAL PAYMENT

method of purchasing good securities in odd lots and full lots on convenient terms is explained in a free booklet issued by an old established New York Stock Exchange House. (224)

IF YOU ARE INTERESTED

in an 8% return on your money with absolute safety, consider the investment features of the B. & L. shares issued by a strong Florida Building & Loan Association. Send for pamphlet 416.

WHY WE CHOSE ATLANTA

See what Atlanta can mean to your business. Send for this free booklet giving the experience of more than 600 concerns now in Atlanta. (363)

THE APPLICATION OF REAL ESTATE KNOWLEDGE TO REAL ESTATE BONDS

This beautiful booklet, issued by a well-known Chicago first mortgage real estate bond house, explains just what is behind their first mortgage bonds in an interesting way. Why not send today for your free copy? (455).

THE REAL ESTATE INVESTMENT OF THE FUTURE

Mr. Fred F. French, one of the country's foremost real estate authorities, has explained the operation of the French Plan in the above mentioned book. Send for your free copy (348).

ODD LOTS

A well known New York Stock Exchange firm has ready for free distribution a booklet which explains the many advantages that trading in odd lots offers to both small and large investors (225).

INVESTMENT TRUST SHARES

Guaranteed marketability is an outstanding feature of the shares issued by the Prudential Company, a leading Investment Trust house. The trustee is obligated to buy back these shares at the selling price of the stocks, forming the security, all of which are listed on the New York Stock Exchange. If interested in investment shares, send for 430.

"IDEAL INVESTMENTS"

is the designation universally accorded Smith First Mortgage 6½% Bonds which carry attractive tax refund features. A history of the House and information relative to their bonds and the safeguards that surround every issue they offer, may be obtained by addressing the home office of The F. H. Smith Company, Smith Building, Washington, D. C.

CONSISTENT INVESTMENT SUCCESS

The sound investment principles followed by the Brookmire Service and the adaptability of these principles to the requirements of every investor, large or small, is described briefly in this interesting booklet. Send for your free copy 413.

MAKING PROFITS IN SECURITIES

Are you profiting by the major and also the minor swings of the market? If not, you will be interested in the above booklet issued by a leading financial service in New York City. Ask for your free copy 377.

WHEN EXPERTS DISAGREE

The Weighted Average used by a leading financial service is bound to give you the true conditions of the market. If interested in the market, you will want to receive your free copy of the above mentioned booklet. Ask for 435.

(*Continued from page 914*)

The Phoenix Mutual Life Insurance Co., of Hartford, Conn.

The Equitable Life Assurance Society, 393 Seventh avenue, New York City.

The Massachusetts Mutual Life Insurance Co., Springfield, Mass.

The Prudential Life Insurance Co., Newark, N. J.

and request them to give you information along the lines you seek.

It occurs to me that, being a teacher, you may be eligible for insurance and annuity protection through the Teachers Insurance and Annuity Association of America, organized in 1918, at the instance of the Carnegie Foundation for the Advancement of Teaching. Through its liberal endowment, you would be able to obtain insurance protection at an attractively low rate.

VITAL CHANGES BROUGHT ABOUT BY EUROPEAN CURRENCY STABILIZATION

(*Continued from page 842*)

preferred to keep their reserves in such interest bearing forms rather than as unproductive gold. The ultimate reserve, the gold that backs the reserves of the rest of the world, is largely held in the United States.

The Reserves A tabulation made some months ago showed that thirty major central banks had outstanding nine billion dollars' worth of notes and had two billions of reserve liabilities. Against these latter, their reserves amounted to 1,600 millions of which 1,100 millions were invested in the United States.

This tremendous flow of funds seeking short time investment has largely helped to explain the great ease of liquid funds in this market. Germany was the only country which actually withdrew gold in any considerable quantities from this country to carry through its stabilization program; others, such as Chile and France actually shipped gold over here to build up their credit balances and shift the burden of non-interest bearing gold reserves to our Federal Reserve banks.

The return to gold, while it has laid the indispensable foundation for a return to "normalcy," has not in itself produced "normalcy," and has even so far induced a continuous slow business depression from which none of the stabilized countries with the possible exception of Germany, has as yet been able to emerge. Because of the form in which the return to gold has been accomplished, however, in accordance with the new central banking policy

(*Please turn to page 918*)

(*Continued from page 916*)

outlined above, the financial interdependence of the nations has been made as close as their industrial interdependence, and the ultimate guarantee of financial stability on a gold basis for the great trading nations of the world has been transferred from their separate national boards to, in the last analysis, limitless resources of the United States.

IMPORTANT DIVIDEND ANNOUNCEMENTS

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock of Record	Payable
$6.00	Adams Exp. com.....	$1.50	Q	3-15	3-31
5.00	Adams Exp. pf.	1.25	Q	3-15	3-31
3.00	Am. Chicle com......	0.75	Q	3-15	4-1
7.00	Am. Chic. 7% pr. pf..	1.75	Q	3-15	4-1
2.00	Am. Intern'l.	1.00	SA	3-15	4-2
5.00	Am. Radiator	1.25	Q	3-15	3-31
6.00	Am. Ry. Express.....	1.50	Q	3-15	3-31
4.00	Am. Safety R.	1.00	Q	3-9	4-2
....	Am. Safety R.	0.25	Ext	3-9	4-2
3.00	Am. Seat'g com......	0.75	Q	3-20	4-1
9.00	Am. Tel. & Tel.......	2.25	Q	3-15	4-16
6.00	Am. W. W. & El. pf.	1.50	Q	3-12	4-2
7.00	Armour (Ill.) pf.	1.75	Q	3-10	4-2
7.00	Armour (Del.) pf.....	1.75	Q	3-10	4-2
3.00	Artloom com.	0.75	Q	3-15	4-1
3.00	Autostrop "A"	0.75	Q	3-10	4-1
12%	Beech-Nut com.	3%	Q	3-24	4-10
7.00	Bucyrus-Erie pf. init..	1.75	Q	3-10	4-2
1.00	Bucyrus-Erie com init.	0.25	Q	3-10	4-2
2.50	Bucy'-Erie cv. pf init.	0.62½	Q	3-10	4-2
7.00	Burns, pf.	1.75	Q	3-13	4-2
3.00	Chic. Yellow Cab	0.25	M	3-20	4-2
1.20	Cities Service com....	0.10	M	3-15	4-2
6%	Cities Serv. com......	½%	M	3-15	4-2
6.00	Cities Serv. pf.......	0.50	M	3-15	4-2
6.00	Cities Serv. pf. BB..	0.50	M	3-15	4-2
0.60	Cities Serv. pf. B....	0.05	M	3-15	4-2
5.00	Coty	1.25	Q	3-16	3-30
7.00	Crucible Steel pf.....	1.75	Q	3-15	3-31
6.00	Deere & Co. com. init	1.50	Q	3-15	4-1
8.00	Detroit Edison	2.00	Q	3-20	4-16
7.00	Equit. Off. Bldg. com	1.75	Q	3-15	4-2
7.00	Equit. Off. Bldg. pf	1.75	Q	3-15	4-2
3.00	Fairbanks Morse com.	0.75	Q	3-12	3-31
2.40	The Fair com........	0.20	M	3-20	4-2
0.80	Fed. Lt. & Tr.......	0.20	Q	3-13	4-2
4%	Fed. Lt. & Tr.......	1%	M	3-13	4-2
0.80	Federal Motor Trucks	0.20	Q	3-17	4-2
10%	Fed. M. Tr.........	2½%	Q	3-17	4-2
8.00	Gen Gas & El $8 pf A	2.00	Q	3-12	4-1
7.00	Gen Gas & El $7 pf A	1.75	Q	3-12	4-1
7.00	Gen Gas & El $7 pf B	1.75	Q	3-12	4-1
1.50	Gen Gas & El com A.	0.37½	Q	3-12	4-1
7%	Glidden pf.	1¾%	Q	3-15	4-1
7.00	B. F. Goodrich	1.75	Q	3-9	4-2
8%	Guantanamo Sugar pf.	2%	Q	3-15	4-2
6.00	Gulf M & N 6% cm pf	1.50	Q	3-15	4-2
5.00	Hudson Motors	1.25	Q	3-12	4-2
7.00	Inland Steel pf......	1.75	Q	3-15	4-2
7.00	Intern'l Comb Eng pf	1.75	Q	3-16	4-1
6.00	Intern'l Harv'ter com	1.50	Q	3-26	4-16
7%	Intern'l Silver pf....	1¾%	Q	3-12	4-1
8.00	Intertype Corp 1st pfd	2.00	Q	3-21	4-1
7.00	Jewel Tea init pf....	1.75	Q	3-15	4-1
..	Kresge SS com.......	0.40	Ext	3-10	3-31
1.20	Kresge SS com.......	0.30	Q	3-10	3-31
7.00	Kresge SS pf.........	1.75	Q	3-10	3-31
6.00	Mathieson Alkali com	1.50	Q	3-16	4-2
7.00	Mathieson Alkali pf..	1.75	Q	3-16	4-2
7.00	Montgom. Ward "A"	1.75	Q	3-20	4-1
7.00	National P & Lt pf.	1.75	Q	3-14	4-2
...	N Y N H & Hart com	1.00	Spl	3-9	4-10
8.00	Par.-Fam.-Las.	2.00	Q	3-15	4-2
7.00	Rem.-Rand 1st pf....	1.75	Q	3-10	4-2
8.00	Rem.-Rand 2nd pf...	2.00	Q	3-10	4-2
6.00	Sloss-Sheff StL&I com	1.50	Q	3-10	3-20
7.00	Sloss-Sheff StL&I pf..	1.75	Q	3-20	4-2
4.00	Under-Ell-Fis com init	1.00	Q	3-17	4-2
7.00	Underwood-Ell-Fis pf.	1.75	Q	3-17	4-2
7.00	Under-Ell-Fis pf B...	1.75	Q	3-17	4-2
7.00	West. Penn El "A".	1.75	Q	3-15	3-30
3.00	Wrigley Wm. Jr. Co	0.25	M	3-20	4-2
5.00	Youngstn St & T com	1.25	Q	3-14	3-31

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THE beautiful, new, Willys-Knight Standard Six, from the moment of its introduction at the National Automobile Show, has won a nation-wide enthusiastic reception.

The superiority of the *patented* Willys-Knight sleeve-valve engine has long been accepted. Naturally, it costs more to build this advanced motor. It is only today, after fourteen years of experiment and progress, that we have reached our goal of incorporating this superior engine in a low-priced Six maintaining all of Willys-Knight's quality supremacy.

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Two other advanced Sixes

Willys-Knight Special Six—improved, finer; now with added refinements and beautiful new color options. Willys-Knight Great Six—one of America's most luxurious cars. Now, a larger, more powerful engine insures even higher speed and flashier pick-up.

Willys-Knight Sixes from $1145 to $2695, in the Standard Six, Special Six and Great Six divisions. Prices f. o. b. factory and specifications subject to change without notice.

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Rounding out the great Willys-Overland line, the 1928 Whippet still leads the light car field—and is even further ahead today than ever before. In performance records, in features of mechanical and engineering superiority—many of which were first brought to the light car field by Whippet—and in proved merit in the hands of its owners, Whippet's leadership is most convincingly established. Now, at new low prices of $455 to $585, Whippet is more than ever the leader in light car value. Willys-Overland, Inc., Toledo, Ohio. Willys-Overland Sales Co., Ltd., Toronto, Canada.

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THE jaws of competition are closing about you. On the one hand, rising costs. On the other, falling prices for your goods. You may be strong, you may be big, you may be dominating, but the jaws inexorably are closing.

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You can put your plant where labor helps instead of hindering. Where taxes are low, where abundant raw materials are available close by at low prices, where power is cheap and abundant,—where every factor is a favorable factor. And if you do it—as those others have done—you will find, as they have found, that it is possible to defeat the closing jaws of competition, pressing on you in your present location.

. . . .

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